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MONTHLY REVIEW

JULY 1936

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Lloyds Bank Limited

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How can the Prosperity of Europe be Restored?

By Frédéric Jenny (Financial Editor of Le Temps)

IN the state of European tension as it prevails to-day, and in the midst of all the racial antagonisms and political rivalries which have become much more poisoned and acute since last summer, it seems almost irony to examine the means of restoring economic prosperity. The justification is that political contentment is closely interwoven with economic well-being, and if the economic field of vision of the politicians had been wider we should never have reached the political danger point of the present time. Moreover, it is just when the horizon is heavily overcast that the need for good visibility makes itself most felt, for it is then that the risk is greatest of pursuing a wrong direction. And if the right road is confessedly a rough road, where the going at first will be steadily against the collar, this would be the worst of all reasons for seeking to hide or evade what should be faced. Thus it will be my first aim, following in the footsteps of the two eminent publicists whose articles appeared in the May and June issues of LLOYDS BANK REVIEW, to throw a searchlight over the path which alone can lead to the return of enduring prosperity, the path which really affords the sole hopeful prospect amidst our present discontents.

I.

I have nothing to add to the reasoned and brilliant criticism of economic nationalism by Professor Robbins. It is clear to any man with an eye in his head that even if economic nationalism is not the actual parent of the crisis it is the foster-mother and guardian of its severity and prolongation. So long as it persists, we must abandon all hope. If once it begins to recede our civilisation will be buttressed, political friction will dwindle, and prosperity will be real because it will be general. Let us not lose sight of the fundamental fact that the most marked characteristic of free trade, and of the abounding prosperity which it produces, is just this, that it seeks by all means to diminish the importance of frontiers and to make them as invisible as possible.

Nevertheless it is no easy matter to bring about a recession of economic nationalism. First of all in certain countries of Europe it is a *sine qua non* of the maintenance of the prevailing political system. The Totalitarian State, no matter whether it rests upon the extremists of the right or of the left, cannot easily adapt itself to free trade, since in such a State liberty for the individual is anathema. And by what stretch of the imagination can we conceive even of relative economic freedom and development apart from some minimum of political liberty? Such being the case it is very human, indeed too human, that the Dictators of Europe, even though they may inwardly recognise the deplorable consequences of economic nationalism, should not be over eager to cast aside a weapon which is indispensable for their chosen political form of government.

Then, again, from the economic standpoint a return from restrictions to freedom will come up against difficulties, inasmuch as, if successful, it will compel governmental authorities—a rash assumption—to show a marked zeal and to assume heavy responsibilities in combating vested interests which are always well organised and very vocal. In an economic system developed behind a sort of Chinese Wall, such as exists in most European countries nowadays, peoples have been trained to pull in their belts and be contented with little, to go without and to suffer often in silence, the more so that they are frightened of making audible complaint. If we analyse the drawbacks of this cramped existence we shall see that the inhabitants of such States have lost the habit of adapting their lives to the economic advantages which normally result from the development of international trade and world progress. Truth to tell,

theirs is an artificial life, very like that of hothouse plants. Should any breath of fresh air be admitted from outside they will not easily adapt themselves to the salutary change of atmosphere ; nor, in the first instance, will the return to normal and healthy economic life be free from shocks and added privation.

Enterprises in most protected countries, separated from the interplay of world economic factors, are not subject to the impetus of competition. Too often production is subsidised by the State and linked up with aims which bear but remotely on the economic welfare of the people. There is thus no incentive to study, to satisfy, or to forestall their needs. All is stereotyped and laid down in advance. Possibilities of expansion and profit are narrowed down. If, amidst the resultant mediocrity of talent, risks inherent in all normal commercial activity are reduced to vanishing point, this evanescence has as its corollary the dwindling of all ambition, emulation, and intellectual effort on the part of the producer, many of whose most useful attributes become atrophied or retrogressive.

Risk is an important element of commercial progress. Let barriers to foreign trade be removed, and the stimulating element of risk will at once reappear. Industries which have acquired a fictitious prosperity at the expense of the national wealth in the aggregate cannot then survive. Each country and each individual will then limit production to those commodities which can be most cheaply and efficiently produced. Gradually the laws of the division of labour and of supply and demand will be enforced to the benefit of the greater number. The transition period will be difficult, and maybe a temporary increase in unemployment will prove inevitable. Yet we cannot regain that greater prosperity in view without a struggle, and even those Governments who have no ulterior political motive in the retention of economic nationalism will not square up to the transitional period without some apprehension.

The first question which arises is that of ascertaining by what means a reversal of present tendencies, more especially in those countries walled in by a closed economic system, can be brought about. Perhaps it would be more exact to say that we should seek to know what reasons might determine the Governments concerned to choose that fresh direction which, through the resumption of international trade, will eventually lead to greater prosperity, but admittedly only after a difficult initial period.

II.

I have little faith, in so far as these matters are concerned, in the virtue of large and unwieldy International Conferences. It was, I think, Professor Robbins who a year or two ago damned them with the telling phrase that of such assemblies " with their pompous oratory and stillborn resolutions " we had had more than enough. Do let us get away from the appearance of things to the substance behind them. The World Economic Conference in London was a mockery. In reality the departure point of any general economic improvement in Europe must be sought in an individual effort of each nation interested. The problem is to induce the greatest possible number of countries to make such an effort.

Nor must we rely solely upon argument and persuasion. The essence of the matter is that those who are able should set the concrete example. Then the self-contained countries, whose standard of living is a low one, may be tempted to follow that example by the material benefits it demonstrably yields to the participants in greater international co-operation. Nay more : we must help such countries to get out of the rut. This is why the conception—developed by Mr. Graham Hutton in his article which appeared in LLOYDS BANK REVIEW in June—of a " club " of nations disposed to carry out a system of greater freedom of trade and to induce other countries to join the " club," or to co-operate with it, appears to me to be attractive and practical. Let us for a moment analyse the prospects of success of such an understanding as he adumbrates. Its aim and object would be to make a breach in economic nationalism, and then to vanquish it.

To be frank and objective in our outlook it should be conceded (*a*) that the kernel of the " club " as conceived by Mr. Graham Hutton would only comprise a slender portion of the European Continent (Scandinavia, the Baltic States, Belgium and Portugal) ; (*b*) that prevailing conditions are as little favourable as possible to a rapid accession to the " club " of the great European countries. In recognising this, I am far from saying that it would be useless to attempt the scheme. The greater the difficulties, the more strenuous must be the effort called for. The agreement is one whereunder a certain number of countries, grouped around Great Britain, will have affirmed, and proved, their faith in the idea of international solidarity and in those great free trade principles, which did

so much to increase prosperity in the second half of the nineteenth century. This agreement would of itself afford a substantial foundation whereon, sooner or later, a vaster edifice might well be erected. Let us hope, therefore, that such a foundation will be laid at no distant time.

It is clear that the ultimate effects of such an initiative as this, or of any other step with the same object, must primarily depend on the development of the international political situation. If tension increases and the race in armaments of vast and unremunerative cost proceeds headlong, if wars and rumours of wars remain suspended over our Continent, it would be wholly vain to struggle against economic nationalism. What is tragic in the present situation is the persistence of a vicious circle. Narrow-minded nationalism is largely the cause of diplomatic tension, though the politicians are very dull at taking this in. And this very nationalism, which has given birth to onsets of war fever, finds in turn its driving force and seeming justification in the distempers it has itself begotten. If this vicious and literally infernal circle is to be broken, the Dictators and Governments of Europe must show a sense of restraint and international responsibility whereof the most disturbing characteristic has hitherto been absence. Unless European tension can be lessened all that follows in argument will prove unavailing, for an international *détente* is absolutely indispensable.

III.

Once the principle is admitted of a progressive development in the international exchange of goods and services, the detailed application should not give rise to insuperable controversy. Of course any tangible result would be precluded unless we were to witness a progressive reduction of the several obstacles at every frontier. Amongst them are tariff walls, quotas, and restrictions on the free movement of capital.

How can the nations which set the right example ensure reciprocity? The suggestion has been thrown out that the benefits of most-favoured-nation (m.f.n.) treatment might be withheld from those countries which refused to co-operate. Possibly such a measure might hasten the desired result. Nevertheless, pressure of this kind should not be allowed, even for a time, to increase obstacles to free trade, as it might, if inconsiderately enforced, cause great resentment and even a

stiffening of economic nationalism, face to face as it would be with a sort of punitive sanction. The denunciation of the m.f.n. clause should not go further than to render effective the concessions made to one another by the nations of the " club." Members of the " club " would thus benefit by reason of their contribution to a development of collective economic progress and the general volume of world trade.

Some countries could support a temporary diminution of their trade balance better than others, and in the initial stages, having regard to the cardinal importance of the object in view, concessions should be made to the poorer brethren. This is my conclusion from a considered examination of the financial and monetary aspects of the problem.

In my judgment, some differentiation of this nature is indeed indispensable. If, for political reasons, a given country refuses to participate in the general effort towards greater freedom of trade, that country could not legitimately complain if it were subjected to a moderate measure of discrimination. It would be unfair to subject to similar discrimination a country unable to enter upon the road indicated. For instance, inadequate gold reserves or insufficiency of foreign exchange might make even a moderate modification of commercial or monetary restrictions dangerous in some quarters. Since such countries have necessarily lost all credit abroad, even a passing disequilibrium in their commercial balance, caused by any relaxation of their monetary restrictions, might have violent repercussions, such as any Government would very properly wish to eschew.

Unfortunately cases of this nature are only too prevalent in Europe. This being so, it is difficult to see how any real progress can be made in the recovery of international trade if those countries which, financially, are more happily placed will only proceed from the outset upon the sterile rule of *do ut des*. In one way or another it is imperative that an effort should be made by the wealthier communities of the European brotherhood in order to start the machine. This effort may be envisaged in two ways.

The privileged parties, those not threatened by a monetary danger, might provisionally, and for a fixed period, agree to purchase from the poorer ones more goods than they sold to them. The object would be to enable the latter to constitute adequate reserves so as to dissipate the danger of grave monetary

disaster at home. Secondly, the monetary reserves might be increased, and the purchase of goods abroad be facilitated, by the grant of foreign loans.

In all probability these remedies will have to be applied concurrently, and both will give rise to difficulties. The first measure will evoke strident protests from exporters in the richer countries. The second will come up against the collapse of international credit, so widespread at the present time. As to the exporters of the wealthier countries, their objections are both selfish and short-sighted, and it is only by a determination on the part of the Governments concerned to pursue the enlightened path, in the general and ultimate interest of all, that success can be achieved. Of one thing we may be sure : such a policy of temporary self-denial is of paramount importance for the preservation of peace. The problem of foreign loans is far more difficult having regard to the collapse of international credit, but without a solution of this problem there can be no appreciable recovery in world-trade.

IV

No active resumption of international trade is indeed conceivable without foreign credits. It is fatuous to presuppose the steady maintenance of a trade balance between various countries, without disturbing and destructive fluctuations, if finance is never to act as the handmaid of commerce, for adequate finance is simply indispensable to steady and fruitful development. The absence of well-regulated financial support petrifies trade within narrow limits, as witness the epidemic of clearing agreements concluded within recent years with their deadening effect on trade. Such poor expedients register a slipping back to the barbarous system of barter, in other words nothing but retrogression ; in the final analysis they promote creeping paralysis of foreign trade everywhere.

The restoration of international credit is accordingly a problem of the very first importance. It naturally implies in the first place that countries desirous of such assistance should have taken drastic steps to put their own house in order ; this means, over and above everything else, that public expenditure and normal budgetary receipts should be healthily balanced. But this step, important though it be, is not the one and only condition of the restoration of international lending.

There is a *damnosa hereditas* to clear up, the sponging out if need be of old bad debts, and the funding, on some reasonable conditions, of such debts as may be partially recoverable. In the work of liquidation the first aim of the creditor countries should not be to exact the full pound of flesh; rather should they strive to grant to the debtors every possible facility and delay so that the conditions of the new funding agreement may be executed honourably and punctually. If we wish that international credit should henceforth flourish let us have done with defaults, frankly respect the pledged word, and, even if it imposes considerable sacrifices upon creditors, seek to substitute agreed settlements for one-sided repudiations by borrowers.

This is the sole and the only basis upon which the granting of fresh credits can be contemplated. Let it not be thought that it will be easy to bring about. Investors in lending centres have suffered such grievous losses that they are, and probably will long remain, opposed to the resumption of foreign lending. Great eloquence and sustained effort will be called for, under the most authoritative auspices, to convince those who have already been burned that they must resume their old habit of lending so as to contribute to general prosperity and their own ultimate good.

We must then anticipate that foreign credits to impoverished countries cannot at first be provided by public issues. The only practical method will be that of bank advances, made under Government initiative and, maybe, with the liberal co-operation of Central Banks. Undoubted and tangible security, both as regards interest and capital redemption, must be afforded by the borrowing countries. And inasmuch, as the granting of such advances will be directed to the development of foreign trade, it is but logical that the service of the loans should be secured by the exports of the borrowing countries. With this object import dues might be imposed in the creditor countries on the goods emanating from debtor countries, somewhat of the nature of those dues which were formerly applied to German goods under the Reparation Recovery Act. I have indeed in principle no marked predilection for systems of this nature; but certain factors should be taken into account: (1) such dues will be more free from odium since they will be applied to the repayment of commercial as distinct from political obligations; (2) the dues will be less burdensome because the commitments

involved will be considerably less in amount; and (3) adequate security during the transitional period is indispensable, and cannot be provided without some process of this nature, while no alternative, such as clearing agreements, is to be preferred.

If the method of advances functions well, then investors may once more begin to take an interest in foreign lending on a long-term basis, and this would mark a return to a normal situation.

V.

The first object, as also the first advantage, of a resumption of international lending would be to strengthen the monetary position of those countries which it is desirable to liberate from the strangle-hold of economic nationalism. Such operations indeed will provide them with reserves as a means of making foreign payments, so that it will be possible for them to open their frontiers progressively to goods and to make such payments without the risk of their own currencies getting out of hand. In a limited degree the money loaned would thus be destined to guarantee stability in the currencies of debtor countries.

It will, however, be essential to avoid as far as possible one risk which experience has revealed. I have in mind any unwise development of the gold-exchange standard, such as might give rise to an international inflation of credit. In the system under consideration the currency of the debtor country would, to a greater or lesser extent, be guaranteed by the foreign currency loaned by the creditor country, so that the gold reserve of the creditor country would, in practice, be serving as a guarantee for two separate currencies. Moreover, the borrowed currency, in so far as it is not converted by the borrower into his own national currency (and this could properly only take place when it had ceased to act as a monetary reserve), would be employed by the borrower in the form of sight or short-term investments in the lending country, and would create there an artificial plethora of funds. In the post-war period the general adoption of this system, which had been recommended by the Genoa Conference, had deplorable results. In my judgment, it largely contributed to the formation of immense blocks of floating capital which subsequently, on the outbreak of the crisis, became one of the principal causes of the complete collapse of the international monetary system.

Competent experts will accordingly have to investigate how to avoid similar trouble in future. The lending of actual gold would be the safest procedure of all. Failing this, agreements should be entered into between the lending Banks and the borrowing States, so as to preclude any dangerous inflation by the piling up of a series of paper credits.

VI.

Prospective foreign loans, being destined to facilitate the future defence of the currencies of debtor countries, manifestly could not be granted unless and until such currencies could be maintained at the level prevailing at the date of issue. In other words, there could be no question of making foreign loans to a State whose currency is being artificially kept at a higher official level than its real value. Several countries are in this false position. For reasons of prestige, and on other grounds, certain Governments have introduced cast-iron regulations which, owing to economic and commercial isolation, have preserved the appearance of a sound and stable currency. The appearance is, however, demonstrably misleading, and really cloaks extensive and devastating inflation. The effects are revealed by the existence of semi-official exchange rates abroad markedly below the official rates quoted at home. If loans were made to countries where such practices prevail, the risk would be tremendous and the effect would be to strengthen economic nationalism, which is just what we are out to scotch.

The progressive resumption of international lending should logically be accompanied by a return to sound and trustworthy monetary conditions. Let me be quite explicit: I do not advocate the imposition of a given level from outside upon the currency of any country, for each country must remain the final judge of its appropriate level. But if there is a disparity, owing to governmental manipulation and concealment, between official quotations and those which in practice prevail, the requisite and inevitable adjustment must be frankly made. In default of any such adjustment foreign loans would be powerless (1) to maintain the spurious level of the currency, and (2) to promote the development of foreign trade. This therefore is a condition upon which there can be no sort of compromise.

Let us now take into consideration the question of stability of currencies. Stability is one of the fundamental conditions for the restoration of any foreign trade worthy of the name. Without such stability no lasting economic agreement can be made between nations, who would otherwise be free to compete in trade by means of currency manipulations. What manufacturer would run such a risk? In point of fact, important treaties of commerce expressly deal with this risk. One example may suffice: that of the Franco-American Convention concluded a few months ago. All the clauses of this Convention would again be thrown into the melting pot, and an agreement which is peculiarly apposite in regard to the question under discussion would be destroyed, if the stability of either French or American currency were to be tampered with.

In this vital matter Great Britain has a very leading part to play. It is she who really holds the key to the whole problem having regard to the international importance of sterling. It is with profound satisfaction that I take note of the fact that in Great Britain men of outstanding intelligence and sincerity—amongst whom we are proud to number Mr. Graham Hutton (see LLOYDS BANK REVIEW for June)—now recognise that no real progress can be made in the development of foreign trade without an agreement to limit variations in exchange rates so far as possible. I fully admit that the international situation makes it impossible at present to enter into definitive agreements of this nature, and I can well appreciate that, in view of the uncertainty of to-morrow, countries which have abandoned the gold standard should show no marked alacrity to restore it. In my view a return to the gold standard, which is the ideal, should remain the *ultimate* aim. But the best is the enemy of the good. It is incontestible that a provisional arrangement, say, for the duration of a commercial agreement, between two or more countries desirous of developing their trade relations, would be of very appreciable value and would hasten the day when a *de jure* stabilisation could be established.

I think this tendency of opinion in Great Britain, which appears to be growing in volume, is a source of gratification. I can only regret that it has not been of earlier development, for the change of system would be one of the major means of reducing unemployment and increasing commercial and industrial activity. If this tendency had been manifest before certain

difficulties, more particularly from the French side, in the way of an increase in foreign trade might have been avoided.

VII.

With habitual frankness I must state that British currency policy appears to me to be partly responsible for the difficulties which now threaten any development towards greater international economic co-operation. Having regard to the leading part played by the pound sterling in international business, the marked hostility manifested for years by British authorities towards any conception of stabilisation, even *de facto*, has indubitably contributed both towards business depression and to a lowering of world prices. The sterilisation of vast quantities of gold purchased by the Exchange Equalisation Fund in London has had a similar influence.

By proclaiming loudly and *ad nauseam* during recent years that the currencies of the gold bloc in general and of France in particular should be devalued, several English newspapers have made themselves guilty of the same misconceptions as the partisans of devaluation in France. Neither the one nor the other perceived that in a country which comprises ten million small investors, and had already suffered an 80 per cent. devaluation a few years ago, no fresh devaluation of the currency could be carried out except by force or by international agreement. Grave and insuperable moral and political obstacles stood in the way of a voluntary depreciation of the franc and prevented any Government, no matter how composed, from taking the responsibility of such a measure. In these conditions, the persistence shown since 1934 on both sides of the Channel, however excellent sometimes in intention, in favour of a devaluation of the franc, could not fail to shake the confidence of the French and of foreigners in the franc, and so to provoke massive exports of capital and the hoarding of gold. This weakened the reserves of the Bank of France and gave birth to the danger of a monetary crisis sooner or later.

The result is that the technical margin available at the Bank of France to support the franc has not indeed been exhausted, but diminished. This has occurred just at the critical moment when the new Government has introduced a fresh experiment, and when, just like earlier Governments, it has nevertheless to bear in mind the same moral and political objections to a further devaluation. (The essential feature of

the new experiment consists in the desire to raise the purchasing power of the masses ; it involves abandonment of the old policy of deflation, of balancing the Budget, and of seeking an approximation of internal and world prices.) The Government may accordingly be tempted, so as to escape the eventual reproach of allowing gold to drain out of the country, though against the declared wishes of M. Blum, gradually to transfer the defence of the currency from the sphere of the gold standard, which is that of liberty, to that of control and regulation, which is that of monetary isolation.

This would, in turn, involve economic isolation, or diametrically the opposite of that which Professor Robbins, Mr. Graham Hutton, and I with one accord recommend as the only sound method of procedure, if world trade is to recover and if economic factors are to exercise their healing influence where there is now political unrest, always accompanied by rumours of war.

It would be vain to indulge in recrimination and regrets as to the past. If I have alluded to what has already happened it is because the politicians have time and again acted too late and missed the tide. It is also because, by doing so, I wish to project a searchlight upon the future. From London, let me repeat, often has come the advice to France : " Devalue your currency." This advice, for reasons indicated, had and has no prospect of being followed so long as it was and remains a question of France taking a unilateral decision, apart from any international agreement. The problem could only have been dealt with if a proposal had come from abroad, especially from Great Britain, agreeing to couple a currency revaluation with a convention providing at any rate for a provisional fixing of exchange rates. Many French economists and statesmen would have viewed the prospect of devaluation with less repugnance if, at the cost of it, peace could have been attained in exchange rates and commercial relations. But Great Britain has remained mute and never made a suggestion.

For my part I am bluntly of opinion that, in principle, the currency of no country in the world can be made the subject of international bargaining. But we must take the progress of circumstances into consideration. The essential elements whereon was based the opinion, which I expressed in LLOYDS BANK REVIEW last February, as to the monetary position in France no longer wholly prevail. In common with M. Caillaux,

M. Germain-Martin, Professor Rist and other French experts and politicians, all of whom were amongst the ardent defenders of the franc of 1928, I am obliged to ask the question whether the new policy of increasing purchasing power—a policy of expenditure and increased prices—will not have an important influence on the monetary problem in the long run.

Should facts provide a positive reply to this question, and assuming that it were then possible to choose the lesser of two evils, I admit that I should prefer a frank and ordered devaluation to the bad alternative of rigid control of exports and imports and the prohibition of export of capital, according to the German and Italian practices. For these practices lead to economic suffocation without even the countervailing advantage of precluding an ultimate collapse of the currency, which might then get out of hand.

Nevertheless the Government of M. Blum is professedly as much opposed to devaluation as preceding Governments were. Although in the economic and financial sphere he has abruptly reversed gears, he does not wish to assume the odium of a measure which would be profoundly unpopular. A large part of his majority, notably the Communist Party, is violently hostile to devaluation.

Then what is to happen? Perhaps the existing Government, if it had reason to believe that a devaluation of the franc would bring about the conclusion of an international currency and trade agreement, would look at the problem from a different angle. I can give no assurance. The only indication we have is the declaration made by M. Blum in the Senate on the 16th June: "I do not believe that a single person here, beginning with the President of the Committee of Finance (M. Caillaux) contemplates devaluation, *apart from international agreement providing for concerted and general action.*" The Prime Minister thus implicitly admitted that eminent personalities in the Senate would consider a devaluation subject to an international agreement. He did not indeed say that he himself would agree to such a procedure, but the mere fact that he did not express opposition gives ground for thinking that he would be prepared to examine it.

Once more I revert to what I said before. Great Britain has never made any specific proposal or recommendation aiming at even a provisional stability of the principal currencies. The recent expressions of competent British economists

favourable to some agreement for fixing exchange rates for a period at any rate make it appear less unlikely that some such proposal may perhaps be forthcoming in the future. Whatever may be the truth as to this, such a suggestion would offer to France a chance to escape from a sterile monetary and economic control, and to Europe a fair chance of seeing France participate in the great work of general economic recovery, instead of falling back upon an isolation which would simply paralyse her in the sphere of international financial and economic activity.

VIII

To sum up :—

The restoration of prosperity in Europe—everybody agrees—can only be achieved by means of the recovery of foreign trade. What must be done to bring about such a recovery? We must deal some heavy blows with the axe in the jungle of customs barriers, we must give fresh life and vigour to the flow of money between one country and another. To promote such a flow, not only of money but of goods, we must resume the habit of lending abroad.

So much for theory. In practice progress can be but slow. All vested and artificially protected industries will seek to impede a return of normal conditions. The Governments of Totalitarian States will be a further and very stubborn obstacle to progress.

I have already remarked that the initial nucleus of the " Club " of nations disposed to adopt a greater measure of free trade, as contemplated by Mr. Graham Hutton, would only embrace a relatively small portion of the Continent of Europe. France is the only great nation of the Continent which can quickly and helpfully take part in the suggested movement. She is the only continental Power which could play a useful part, in the economic and financial sphere, in helping other isolated countries gradually to shed the impediments which hamper them in regard to world trade. Moreover France is one of the few countries where a liberal evolution in that sphere would not necessarily fail owing to internal political obstacles.

On the other hand, we must face up to the monetary problem. Without some stabilisation, if only *de facto*, of the chief currencies we can witness neither a recovery of foreign

trade nor a restoration of international credit. To attempt to cope with either without first settling that of currency stabilisation would be to put the cart before the horse.

My opinion on this point coincides with that of the International Chamber of Commerce. Its President, M. Fentener van Vlissingen, has just asked the various national committees of the Chamber to emphasise to their several Governments that it is essential " to establish a close collaboration between the main monetary systems of the world so as to bring about stability of currencies." If this august body addresses this pressing appeal to the Governments, it is just because it realises to the full that nothing but restoration of order and stability as between the main currencies can lead the world " towards a recovery in foreign trade, failing which there can be no real prosperity, either national or international."

It is then in the sphere of currency stabilisation that the first steps must be taken. And here the two great Western Powers, Great Britain and France, must take the leading parts.

Great Britain overshadows the whole international monetary problem. The initiative therefore lies with her. I take it for granted that the United States, no matter how fluid may be the American position, will support rather than discourage that initiative.

France is at a turning point in her economic and financial history. The essential thing is to ascertain whether or not, in the new direction her present Government is leading her, she will eventually come up against monetary difficulties of a nature to deflect her from the road of commercial liberty to that of intensified protection in trade and of restrictions in finance. That would be the road of economic nationalism which is the root cause of Europe's troubles.

If such a dire consummation as this were to arrive and the last great continental country of Europe had unfortunately to turn its back on liberalism, what would be the chance of any early recovery in Europe? I hope and believe such a disaster as this can be avoided. I am certain it could be if Great Britain were to act as I have indicated. And my conclusion is that it is by British initiative that the work of recovery should both logically and of necessity begin.

FRÉDÉRIC JENNY.

Paris,
30th June, 1936.

Notes of the Month

The Money Market.—Notwithstanding the release of funds through the big War Loan dividend payment at the beginning of June, money was none too easy during most of the month. The clearing banks were not ready buyers of bills and also called money from the market much more frequently than has recently been their practice. On the other hand, the market had far more Treasury bills to take up, as the increase in the floating debt and disposals of bills by the Exchange Equalisation Account (made to finance its gold purchases in support of the franc) raised the total tender issue of Treasury bills during June from £568 to £595 millions. The result was that discount rates hardened, so that the Treasury bill tender rate rose from 11s. 5.54d. per cent. on May 29th to 18s. 1.04d. per cent. on June 12th, while the market rate for three months' bank bills advanced from $\frac{9}{16}$ per cent. on May 28th to $\frac{7}{8}$–$\frac{15}{16}$ per cent. on June 18th.

The banks are normally reluctant to buy bills during the month preceding the end of the half year, but during recent weeks the influx of French money into London and the operation of the Exchange Equalisation Account have had the effect of reducing the banks' ratio of cash to deposits. The reason is that part of the French money now in London is on deposit at the joint-stock banks, and so increases the total of bank deposits. Another part was first lodged with the banks and then immediately drawn out again in the form of currency, and this has reduced the total of bank cash. The extent of this currency hoarding is indicated by the increase in the Bank of England's note circulation from £417 millions on April 29th to £426 millions on May 27th and £435 millions on June 24th, the latter figure representing a new high record. Meanwhile as the counterpart to this French influx, the banks and the market have had to take up the Treasury bills disposed of by the Exchange Equalisation Account. In short, the French influx of funds added to the banks' deposits and reduced their cash, thereby reducing their ratio of cash to deposits and making it less easy for them to lend to the money market or discount bills.

The stringency might have become more serious had it not been for counter-measures taken by the British authorities. During June the Bank of England bought gold heavily, so

much so that between May 27th and June 24th its gold reserves rose from £206 to £216 millions. This off-set the June expansion in the note circulation and also replenished the cash resources of the joint-stock banks. Bankers' deposits at the Bank of England, in fact, rose during those four weeks from £78 to £91 millions in spite of the increase in the note circulation. In consequence by the end of June money had begun to become easier. The Treasury bill tender rate dropped to 12s. 7·80d. per cent., and one or two of the banks began to buy bills more freely. The end of the half-year was successfully passed with no serious pressure on the money market.

In view of the suggestions that the era of very cheap money is approaching its end, it is advisable to emphasise the fact that the slight stringency during May and June was solely due to the French influx of funds and to the off-setting gold purchases and Treasury bill sales of the Exchange Equalisation Account. If the banking system has to absorb more deposits and take up more bills at a time when currency is being withdrawn from the banks and hoarded, then money is bound to become more costly. As soon as the natural remedy of gold purchases by the Bank of England was applied, money became easier at once. This proves that the recent stringency was due to the special circumstances outlined above and not to any basic change in conditions.

The Foreign Exchanges.—During most of June the continued influx of French funds into London maintained a strong demand for sterling. The spot Paris rate, which up to the end of April had been below Frs.75 to the pound, rose to Frs.76½, and only constant purchases of francs by the Exchange Equalisation Account kept it from rising higher. Forward francs also depreciated to extremely wide discounts. The pressure on the franc was also illustrated by the fact that between May 15th and June 19th the Banque de France's gold stocks fell from Frs.57,515 to Frs.53,953 millions, while its rediscounts (consisting largely of French Treasury bills) rose from Frs.17,681 to Frs.21,456 millions. This gold was lost partly to the British Exchange Equalisation Account, which habitually converts any francs bought by it into gold, and partly to New York, for the Paris–New York exchange was consistently at the export gold point of Frs.15·19 to the dollar. The remaining gold *bloc* exchanges were also

weak. Forward Swiss francs and guilders went to wide discounts against sterling, while Holland lost gold to New York and at the beginning of June the Dutch Bank rate was raised from 2½ to 4½ per cent.

On June 19th M. Vincent Auriol made his statement outlining the new French Government's financial policy Very briefly this consisted of a combination of reflationary measures, a classification of the national finances, an attempt to enforce the repatriation of French money held abroad, and a determination not to devalue the franc. How far the first and last of these proposals are compatible with each other future experience alone can show, but the immediate consequence was a rally in the franc and other gold *bloc* currencies. The British Exchange Equalisation Account was able to withdraw its support, the franc appreciated to within the export gold point against the dollar, and both the French and Dutch Bank rates were lowered, the former from 6 to 4 per cent. and the latter from 4½ to 4 per cent. and later to 3½ per cent. This was the position when this issue of the REVIEW went to press.

Meanwhile sterling was strong against the dollar during the whole of the month, the spot rate being a few cents over $5 to the pound. So long as the franc and dollar are both linked to gold, any rise in sterling against the franc must involve a proportionate rise in sterling against the dollar, even although the pound has now been over-valued against the dollar for several months. Even when the franc rallied late in June, there was a feeling in New York that if the franc were made subject to restrictions, sterling might appreciate against the dollar, and so the dollar remained weak against the pound. It is, of course, impossible to say if this feeling has any real basis, and all that can be safely added to-day is that it is not in our interest that the pound should appreciate any further against the dollar.

The Stock Exchange.—Markets were rather better in June than in May, and were influenced mainly by the continued improvement in trade. The gilt-edged market remained very steady in spite of the rise in the Treasury bill rate and the fear of dearer money, and when those fears were proved illusory towards the end of the month prices became definitely firmer. The recent Australian conversion issue proved reasonably successful, but Canadian Provincial bonds are

still affected by actual or threatened reductions in interest rates. Home rails were at times inclined to strengthen, for June traffic returns were good, but on the whole the trend of prices was downwards, for the Union's rejection of the recent wage offer has naturally discouraged the market. Industrials were inclined to weakness early in June, but have since strengthened as a result of the good trade news. Business, however, has not been very active, and with the satisfactory home trade reports and international uncertainties pulling in opposite directions some operators may be holding back to see what happens. Oil shares have been strong and active under the influence of good dividends. Rubber and tea shares have been dull. The half-year's Kaffir dividends were regarded as satisfactory, but share prices were little changed during the month, except in one or two cases where there have been large increases. Base metal shares were dull.

Overseas Trade.—Between April and May imports rose from £66·7 to £69·2 millions and British exports from £33·4 to £36·4 millions. Similarly increases occurred in 1934 and 1935, which suggests that the movement is seasonal. Compared with May, 1935, imports have risen from £64·5 to £69·2 millions, and British exports from £35·2 to £36·4 millions. Re-exports are practically unchanged at £5·6 millions. A brief examination of the May returns for 1935 and 1936 suggests that the increase in the value of imports is mainly due to an expansion in their volume, but that price increases are to some extent responsible.

Description	Jan.–May, 1935	Jan.–May, 1936	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	302·1	335·7	+33·6
Retained Imports	278·5	308·3	+29·8
Raw Material Imports	87·6	100·7	+13·1
Manufactured Goods Imports	73·9	84·6	+10·7
Total Exports British Goods	173·6	175·9	+ 2·3
Coal Exports	12·8	11·5	− 1·3
Iron and Steel Exports	14·5	14·3	− 0·2
Cotton Exports	25·6	25·1	− 0·5
British Manufactured Goods Exports ...	135·1	137·0	+ 1·9
Re-exports	23·6	27·4	+ 3·8
Total Exports	197·2	203·3	+ 6·1
Visible Trade Balance	−104·9	−132·4	+27·5

The expansion in imports and the stagnation of exports during the past five months is very apparent. It is clear that home trade and purchasing power is expanding, but that since the beginning of 1935 our export trade has failed to keep pace. One consequence is that our adverse trade balance is nearly £27·5 millions greater than a year ago. If this tendency continues during the whole of 1936 it is difficult to see how we can close the year with a favourable balance of payments.

Commodity Prices.—After their weakness during May, wholesale prices in both Great Britain and the United States rallied during June. The British index number rose from 111·8 to 113·1, while the American index number rose from 117·7 to 119·8, September, 1931, being equal to 100 in each case. It seems likely that the trade recovery in both countries and the further absorption of stocks of commodities has outweighed any lack of confidence inspired by the uncertain international political situation. French wholesale prices have remained very steady at an index number of 85·2 (September, 1931=100), so that the distrust of the franc has not inspired any heavy purchases of commodities. Nevertheless, on the basis of these index numbers the franc is over-valued against sterling, which in turn is over-valued against the dollar.

The British official cost-of-living figure remained unchanged during May at 44 per cent. above its pre-war level, but the retail food prices index rose from 25 to 26 per cent. above pre-war. A year ago the two index numbers stood at 40 and 20 per cent. above their pre-war levels, respectively, and the intervening rise in the cost-of-living index was, therefore, 2·9 per cent.

Home Reports

The Industrial Situation

Further progress has been made by home trade and industry, and the reports from different centres published in the following pages convey much the same impression as those of the preceding month. Employment has risen to a new high record of 10,831,000, and the May unemployment percentage of 13·0 is the lowest for any May since 1929. The May improvement in employment was also of an all-round character, and in no industry was there a serious set-back.

The improvement is still confined to home trade, for exports during May were only a shade above those of last year. Still some indication of the confidence felt in the future is shown by the fact that last May building plans passed for new factories amounted to £1,611,600, against only £728,000 in May, 1935. General trade indicators are also favourable: Raw material imports are higher than a year ago, the production of electric power has increased, there is a fairly active demand for industrial chemicals, and railway goods traffic receipts are running slightly ahead of those of last year. The revival is still most marked in the capital goods industries, but the consumption goods industries are making progress. Bank clearings and the latest retail trade returns show that money is being spent more freely, and the further expansion in employment and recent wage increases in certain industries, including engineering, should lead to a greater volume of consumption.

For the next few months the omens remain good. The fears of dearer money, freely voiced a few weeks ago, are now shown to be groundless so far as the immediate future is concerned. On the other hand the trade revival is still uneven, and parts of the country are still very depressed.

To the extent that present and future activity is due to rearmament, it must be remembered that the defence programme will reach its end in a few years' time, and that problems of redundant plant and labour will then arise. Meanwhile if heavy borrowing is needed to finance rearmament, there may be a rise in the long-term rate of interest. Current and future economic changes in France may also have repercussions on the relations between the pound and the franc, and indirectly upon those between the pound and the dollar. This raises another element of uncertainty.

News from abroad is variable in character. Australia and Canada report very slight recessions, but South Africa continues to make progress. Business in the United States is better, but news from South America is not wholly encouraging. On the Continent, French and Belgian industries have been disorganised by strikes, and French production costs must rise to a higher level as the result of recent wage increases and the shorter working week. Conditions in Holland are no better, but Germany reports an improvement accompanied by a drop in unemployment. News from Scandinavia is on the whole good, but Poland is experiencing foreign exchange difficulties. In general the international outlook is by no means clear, and while our own internal trade prospects remain good, at least for the next few months, it is not very easy to take a distant view. Even although the outlook remains promising at home, the future course of events in France and elsewhere on the Continent is very difficult to foresee.

Agriculture

England and Wales.—According to an official report, all corn crops were backward in May and in need of both rain and warmth. First early potatoes appear to be satisfactory though backward, while main crop potatoes and root crops were sown under favourable conditions. Hop bines are generally strong and healthy, but growth was retarded by the cold May winds. The hay season will probably be late, with crops lighter than usual. Grass was not plentiful during May, and both cattle and sheep made less than normal progress. Lambs have not done well, especially in the hill districts. Milk yields were variable and generally below the average for the time of year.

Scotland.—Weather conditions during June, especially the warm spell towards the middle of the month, have helped on vegetation, and crops were looking fairly well, though moisture was urgently needed in most districts. In the produce markets, less wheat has been offering with rates firm. Barley is almost finished, and oats have been dull. The small stocks of potatoes still available have met a good demand. In the live-stock markets bullocks of handy weight met an active trade, but rough and secondary animals were easier. Sheep and lambs have been in request.

Coal

Hull.—The limited tonnages available for export are taken up largely on contract account, and collieries are able to secure very high prices for any surplus tonnage.

Newcastle-upon-Tyne.—Coal and coke shipments have been fully up to average, notwithstanding the almost total absence of shipments to Italy. Northumberland coal is well sold ahead, and enquiry for Durham manufacturing, and coking and bunker coal has increased. Coke is in strong demand, the available supply being inadequate to meet the enquiries from abroad.

Sheffield.—The demand for steam coal is well maintained, and prices are firm. The export coal market continues quiet. The reduction in the Midland district quota to 55 per cent. of standard tonnage compared with 62½ per cent. for May is due primarily to the seasonal decline in the demand for household and gas coal.

Cardiff.—Strikes at the French ports have considerably retarded business in that direction. Collieries are working spasmodically. Sized and small coals remain firm, but all classes of large coal are offering readily in excess of requirements.

Newport.—Foreign shipments of coal during May showed a marked improvement, totalling 123,000 tons as compared with 99,000 tons in April. Dock shipments foreign and coastwise averaged 45,000 tons per week, against 44,000 tons in April, and 59,000 tons in May, 1935. Patent fuel shipments were 4,600 tons against 3,300 tons in April, and 3,500 tons in May, 1935. Home demand continues to expand, but South Wales derives little advantage from it owing to restricted quotas. The national output continues to be slightly above last year's level, but that of South Wales remains below, which provides a substantial argument for the claim of South Wales to receive a larger share of the inland quota. The new Egyptian State Railway contract has been secured by the Monmouthshire Collieries, and will lead to an early resumption of shipments which have ceased since January.

Swansea.—Enquiry from the Continent has been dull, but shipments to Canada are being fairly well maintained. Since Whitsun more enquiries have been circulating, and some collieries are well provided with stems for cobbles. Best large

coal is more than amply booked for a considerable time ahead, but in other large coal the market is quiet.

East of Scotland.—In Fife, first-class steam coal has met a strong and increasing demand. The Lothians are also well placed for business in this direction, and outputs are moving off as produced. On both sides of the Forth, third-class qualities are very well taken up, while washed fuels are in steady request and difficult to obtain.

Glasgow.—New business in Scottish coal for early shipment abroad is hampered by the scarcity of supplies and the consequent high prices. Forward dealing is practically at a standstill, as many producers refuse to quote, and exporters are reluctant to commit themselves speculatively at a time when great uncertainty is felt in regard to the effect of the selling schemes which begin to function on August 1st. In the West of Scotland restricted demand for household coals has necessitated a curtailment of production. The quantity of smalls available is therefore also reduced, and export supplies are scarce, in spite of the decline in demand from gas and electricity works which is counteracted by heavy industrial requirements. An outstanding feature of the market is the activity in navigation coals for bunker purposes and the strength of prices in all areas of production.

Iron and Steel

Birmingham.—The rolling mills continue to have good order books. Prices have advanced by 6s. per ton for small bars and 12s. 6d. per ton for steel sections. Ordinary soft billets have also advanced by 5s. per ton. So far there has been very little buying at the new prices, but if consumption continues at its present rate, it is expected that the new price will have to be paid within the next month or two. Demand for pig-iron is insistent. The coke position is distinctly easier, and deliveries are coming along well, although prices remain unchanged. Another furnace in Derbyshire is expected to go into blast within the next four months, which will ease the position a little.

Bristol.—The position is slightly less satisfactory than a month ago, but shows an improvement compared with the corresponding period last year.

Sheffield.—The output of steel continues to break all previous records, and there is no sign of the demand abating.

The recent increase in prices does not appear to have had any material influence on the market. All sections are well employed and A.I.D. inspected steels and stainless steels are particularly active. The rolling mills are busy and find it difficult to cope with demand. The scrap market is weak, owing to the importation of material from the United States and the Continent.

Tees-side.—All sections are very busy. Pig-iron production, although increased in June, has not been adequate for market needs, but there are now better supplies of basic iron for the steel-works. Consumers of foundry iron are obtaining large deliveries, but makers are under obligation to execute heavy arrears due under running contracts, and until these are completed new business is not negotiable. A serious shortage of East Coast hematite is causing concern, as consumers' requirements are becoming heavier and are likely to expand during the autumn. Steel manufacturers are turning out record tonnages. The recent advances of 10s. and 12s. 6d. per ton in steel prices have in no way checked demand, which is very heavy for semi-finished and structural materials.

Newport.—Works in the county are still busy. Considerable progress has been made in the reconstruction of the Ebbw Vale Works.

Swansea.—There has been a quiet but steady demand for tinplates during the past month, and several works have good order books. The tone of the market is steady, and the industry is employed at 58·28 per cent. of capacity.

Glasgow.—Export business is still disappointing, but home demand is considerable. Makers of heavy steel are being pressed for deliveries and are somewhat embarrassed by the large tonnages in arrears. Business in sheets is active, especially in the gauges required by the motor-car industry and by makers of domestic appliances. Demand for tubes has improved. Re-rollers of steel and makers of wrought-iron are steadily employed, the former chiefly in the production of material for ferro-concrete purposes, and rivet steel bars. Pig-iron continues to be in good demand, producers finding difficulty in coping with the demand particularly in the case of steel-making qualities. There are now fourteen furnaces in blast.

Engineering

Birmingham.—The general outlook remains very good in both the heavy and light sections. Constructional and electrical engineers are busy. Tube manufacturers are also well employed, and an expansion has taken place in the manufacture of stainless steel tubes, and tubes for aircraft construction. The sheet-metal trade and the motor and allied trades remain busy. There is still a shortage of skilled labour in the Midlands.

Bristol.—There has been no material change recently. The employment position is regarded as satisfactory. The building industry has been more active, with some difficulty in finding skilled workers, and the improvement should be maintained.

Coventry.—Although the end of the season is approaching, activity is maintained in the majority of the motor-car factories. The pedal-cycle trade is fully employed. Engineering works, both general and electrical, are very busy.

Leicester.—Home trade is very good. All branches are well employed and likely to remain so for at least several months.

Sheffield.—Conditions in the general engineering trade are brisk, and orders on hand ensure prosperity for some time to come. The output of tools is probably greater than ever before, and large up-to-date plants continue to work to capacity. The export markets are in many cases difficult owing to quotas, import restrictions and currency difficulties, but the improvement in the home market has more than offset any decline in overseas trade.

Wolverhampton.—Both constructional and mechanical engineers have satisfactory orders on hand. Building activity continues unabated, and an excellent demand exists for fittings of all descriptions. Factory extensions and improvements indicate confidence in the future. The production of commercial and passenger motor vehicles is fairly good, and makers of motors and pedal-cycles are busy. Suppliers of components and accessories for the motor and allied trades are well employed, and the local output of petrol-engines, in particular, shows a steady increase. All sections of the electrical trades are active, and some pressure is being experienced by suppliers of electrical machinery.

Glasgow.—There has been a lull in the placing of new shipbuilding contracts, particularly for mercantile tonnage, but it is understood that negotiations are taking place in respect of several new ships. Nevertheless shipbuilders, on the whole, are busy, and there are more yards in operation than for several years past. A large amount of Admiralty work is on hand, and in addition one or two foreign Government orders have been announced, including one for two destroyers for the Argentine Government. Marine engineers continue busy, and boiler-making firms have a large quantity of work on hand.

Metal and Hardware Trades

Birmingham.—The cold rolled brass and copper section is rather busier. Prices are steady. The brass hardware trade is also good. The hollow-ware industry is satisfactory. The heavy hardware trades are busy and Empire trade has increased.

Sheffield.—Trade in cutlery remains irregular. Cheap table knives continue to be produced in large quantities, and the demand for medium and better quality knives has certainly improved. The scissor trade is well employed. Safety-razor blades continue to be produced in enormously large quantities, but severe price-cutting prevails. Business in spoons and forks is good, but sterling silver and E.P.N.S. hollow-ware seem to be suffering from the growth in the use of stainless steel.

Wolverhampton.—Hardware makers generally are well engaged, and the lock trade is exceptionally busy. Apart from seasonal influences the hollow-ware industry is well occupied in most branches. Makers of garden tools and equipment are experiencing a good season, and business in heavy edge tools is also satisfactory.

Chemicals

Business remained fairly active during May, but the pharmaceutical chemical market is still rather quiet. Enquiries for the finer distillates of coal-tar products were numerous, but the scarcity of supplies made business difficult. Refined road-tar consumption was below average, on account of the unseasonable weather. Imports in May showed an increase of £65,401 over May, 1935, and exports a decrease of £84,950.

Cotton

Liverpool.—On the spot market the demand for the American staple continues to improve. In Egyptians a fair demand has been experienced, notably for Ashmouni and long staple varieties. During the past month there has been a steady, if slow, upward movement in futures prices, the retarding influence of political uncertainty upon trade recovery being offset by general world re-armament. Weather conditions for the new crop have not, at the outset, been favourable, except in the Central American belt, and in Egypt the ravages of the boll weevil are causing anxiety. The statistical position is stronger than at any time since 1931. Liquidation of Pool holdings of spots and futures should be virtually completed by the end of July. Requests for releases of Loan cotton aggregate 1,033,000 bales, 75 per cent. of which has passed into buyers' hands. With a prospective world carry-over of American cotton of only about 7,000,000 bales and Government stocks reduced by some 40 per cent., the position looks strong enough to put bears on the defensive. Quiet optimism prevails in the market, although some price fluctuations must be expected pending the first official estimate of acreage, which is due for publication on July 8th. Manchester reports slightly increasing turnover, particularly in the home trade and Dominions sections. Quotations in the yarn market have been firmer.

Wool

Bradford.—An easier tendency has been experienced, owing to the lack of new business. Prospective buyers of the raw material keep testing the market, but they find it difficult to obtain concessions on recent rates. This is regarded as temporary owing to the political situation abroad, and confidence in the future is maintained.

Hawick.—Most of the Border tweed mills are at present on short time, and while orders are still coming in from the Continent, particularly Germany, home buyers are exercising restraint, partly owing to world economic conditions. There is not much improvement in the hosiery and underwear section, but the demand for knitted woollen goods for outer wear continues active. Prices of all wools used in the district are steady and look like being so for some time to come.

Other Textiles

Dundee.—Conditions in the jute market have not improved. The fairly sharp drop in raw jute has only encouraged buyers to quote prices which neither spinners nor manufacturers are disposed to consider. Enquiries are fairly numerous, but actual orders are few. Unless business improves very soon it will be necessary to curtail production.

Dunfermline.—There is little change to report in the Fifeshire linen trade. The market is widening very slowly, and business is still mostly confined to small lots. A slightly firmer tendency is apparent in flax and tow prices after a decline. Wet spun yarns are steady, but there is little or no demand for dry spun yarns.

Clothing, Leather and Boots

Bristol.—An improvement is noticeable in the clothing trade compared with a month ago and also with the corresponding period of last year. This has mainly affected workers registered on short time. In boots and shoes there has been an increase in the amount of short time worked, but the position is regarded as favourable.

Leicester.—Conditions in the hosiery trade are slightly better than last year. Up to the middle of June the weather had not been sufficiently good to stimulate a big demand for seasonal outer wear. In the women's hose section there is keen competition from the importation of cheap cotton and artificial silk hose, and there has been over-production to try to meet this competition. Home trade in boots and shoes is average, but the advance in leather prices has held up some business. Early in June warm weather was required to maintain business, and this has since arrived.

Northampton.—Although most boot and shoe manufacturers are still fairly busy, there has been a distinct reduction in the number of fresh orders placed. Before the arrival of the hot spell some manufacturers were attributing this to weather conditions, but others maintain that, owing to the increased prices, stocks have not been cleared as anticipated. Leather manufacturers are working full time, and the long-term outlook appears to be distinctly favourable.

Shipping

Bristol.—Shipping was maintained during the quarter at the level of the corresponding period last year, and cargoes definitely improved. Grain imports were steady, and those of petroleum, feeding-stuffs, oilseeds and copper increased. The imports of timber fell below those of the last two years, but maintained a general average.

Hull.—Shipments are on a small scale. Tonnage is in fairly good supply, and rates remain low.

Liverpool.—Generally featureless conditions have prevailed in the freight market. With ample tonnage for Montreal, grain rates have remained at schedule. Cuban sugar quotations have been steadily maintained.

Newcastle-upon-Tyne.—Chartering is more active, with rather better rates for the Baltic and overseas. The Coasting and Mediterranean markets are quiet.

Southampton.—Returns relating to shipping trade at the Docks during the first five months of 1936 reveal increases under all the principal headings. The number of vessels that entered the Docks this year was 169 in excess of last year's total, with a corresponding increase in net registered tonnage of 339,708 tons. This year's aggregate passenger total to date—125,470—represents an advance of more than 8,000 in the number embarked and disembarked compared with the early part of 1935. It is in the cargo traffic, however, that the most satisfactory advances are disclosed. Imports at 256,000 tons were heavier by 40,000 tons, whilst exports increased from 152,000 tons in 1935 to 170,000 tons during the first five months of this year.

Cardiff.—The general undertone in the freight market is better, but little new business is coming along. Rates are just steady.

Newport.—Freights homewards from Spain have advanced sharply. Otherwise there is no improvement in the demand for tonnage and rates remain low.

Swansea.—There has been a slight improvement in rates for coasting directions, but the labour troubles in France have naturally made things difficult, as owners show a disinclination to send their tonnage to French ports. The Mediterranean continues to be neglected.

East of Scotland.—There were about twenty vessels on loading turn at the various Forth coaling ports at mid-June, mostly at Methil. Other shipping has also been normal, and the freight market remains quiet generally, but where rates are quoted a firm basis is maintained.

Glasgow.—Tonnage is still in limited demand owing to the scarcity of c.i.f. orders, and is required chiefly for discharge at Baltic ports. Owners are not pressing for employment of their boats, and are indicating very firm rates for Denmark and Finland in which charterers are mainly interested. The Bay section is quiet but steady, and the Mediterranean and Coasting sections are almost at a standstill. Coal shipments from Scottish ports since the beginning of the year are 200,000 tons below the corresponding 1935 shipments.

Foodstuffs

Liverpool, grain.—Manitoba c.i.f. prices have fallen by about 1s. per quarter to 27s. 10d. Little Australian wheat is on offer, and afloat cargoes are being held for 29s. per quarter, c.i.f. The continued favourable weather reports from all wheat-growing countries (except Australia), strengthen the belief that the new season's crops will ensure plentiful supplies, although in the middle of June some reaction was evident, prices being firmer on reports of dry conditions in the North American belt. There has been a general effort to reduce stocks to minimum requirements, and this tendency, coupled with the Canadian selling policy, has had a weakening effect upon the market. The flour trade in this country has been poor, and Continental demands have been affected by labour troubles. American winter and spring crop forecasts suggest increased production, but the carry-over will probably consist of poorer varieties, and the United States is not yet likely to resume exports on a competitive basis. Total visible stocks of Canadian wheat on May 8th were 34,000,000 bushels less than on the corresponding date last year, and the present figure of 177,000 000 bushels is the smallest since September, 1932. Diminishing supplies have resulted in a firmer market for maize, and values for Yellow Plate have recovered to the 4s. 1d. level.

Liverpool, provisions.—During the month the market in Continental bacon ruled firm with demand good and prices

advancing on short supplies. American hams were in strong request at slightly increased values. Lard was a steady market with an improving demand. Empire and Continental varieties of butter have been in very good request at rising prices, and it is expected that the market will continue firm. The demand for cheese has been satisfactory and prices have risen considerably. In the canned goods section, meats were generally firm and fruits a normal trade at almost unchanged prices.

Fishing

Brixham.—During May 3,158 cwts. of wet fish were landed valued at £4,755, compared with 3,032 cwts. valued at £6,008 during April. Prime fish has dropped appreciably in price, but other grades remain firm. Weather conditions were unfavourable to sail trawlers, and many remained in port while the easterly winds prevailed.

Lowestoft.—British vessels during May landed in England and Wales wet fish amounting to 58,085 tons, with a value of £842,179. This compares with 59,025 tons valued at £831,916 in May, 1935. There was a slight increase in the quantity of cod and herrings brought in, and a substantial advance in their total value. There was also an advance in the value of soles.

For the year to date the herring situation has been satisfactory. During the five months £61,000 has been realised for 61,000 tons, as compared with £37,000 for 28,000 tons last year. The preparations in East Anglia for the summer fishing for herrings in Scottish waters were on an extensive scale, and a large number of drifter owners continued to take advantage of the financial assistance afforded by the Herring Industry Board for the purchase of herring nets.

Penzance.—Mackerel fishing has shown an improvement both in quality and price. Demand has been fair, and prices have been from 21s. to 12s. per 120. Cornish long-liners have had some good trips, and the demand for skate and ray has been very keen. During the past month a record price for ray was obtained, as high as £7 per kit of about 15 stone, and skate was over £8 per score. Weekly trips have been from £114 down to about £45.

Scotland.—Heavy fishings are reported from Lerwick in the Shetlands, and what is believed to be a record was created

on June 18th when 5,000 crans of herrings were sold in 20 minutes. The Shetland Area Committee has closed certain northern fishing grounds for a time, and is maintaining the restriction of six nets per man per boat. Reports from the Moray Firth centres show an improving trend, particularly those from Fraserburgh, where curers were able to absorb landings not required for the home markets. On the West Coast results have been somewhat mixed but prices have ruled firm. The line-fishing round the coast has been light generally with prices steady to firm.

Other Industries

Carpet-making.—Kidderminster reports that nearly all sections of the industry are very busy, and there is very little unemployment. The recent rise in prices does not appear to affect the orders coming in. There is still a large demand for Axminster and Gripper qualities, and chenille workers have been doing better recently. Wilton departments are also now working full time. The number of carpets imported from Germany and Belgium has been greater during the past month, but imports of Indian carpets have decreased. Raw materials have advanced in price, but at the Liverpool East India wool sales, held in June, slightly lower prices were registered.

Paper-making and Printing.—At Bristol the employment position is regarded as satisfactory. No immediate change is anticipated.

The Edinburgh paper-making trade is favourably situated at present, and many of the mills are on full time. Demand is practically all on home account, as export business is still hampered by international difficulties. The printing branch is active. There is a good deal of jobbing work on hand, and book publishers are already busy on work for the autumn.

Pottery.—Longton reports that home trade remains satisfactory. Exports for May were £312,175, showing an increase over May last year. The improvement was particularly noticeable in general earthenware and china. The aggregate exports for the five months show an increase of £52,278. Imports of foreign pottery and clay products show a small reduction of £738 compared with May, 1935.

Timber.—Hull reports that importers are still interested in forward buying, but little business has been done for prompt delivery, as few specifications are available. It is felt that sufficient wood has been bought for June-July delivery to cover the inland demand, and business is therefore concentrated on goods for September delivery. Prices are still exceedingly firm. According to reports from exporting countries a definite shortage of timber seems likely this year, and prices are rising accordingly.

Newport reports that total imports during May amounted to 1,972 fathoms and 4,429 loads. France supplied 1,389 fathoms, and 2,280 loads, compared with 583 fathoms and 1,300 loads in April, and Portugal supplied 583 fathoms and 2,149 loads against 1,153 fathoms and 1,650 loads in the previous month. There were no arrivals from other exporting countries during May, compared with 504 standards during April.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Good general rains at the end of May and during the first three weeks of June have materially improved the seasonal outlook, but the outer pastoral areas of Western Australia, and sections north-west of New South Wales and south-east of Queensland, need rain. Early in June it was anticipated that the wheat crops would germinate late and that there would be some feed shortage, but a later cable states that cereals have made a good start. Butter production is now at its maximum level. The wool clip for the ensuing season is estimated at 3,036,000 bales, or 2 per cent. below that of the current season. The late autumn checked sales of cold weather goods and luxury lines in country districts, and industry and trade show a seasonal recession. The Loan Council have removed some misgivings regarding Government Finance. Loan programmes and Budget deficits are reduced, and taxation cuts are expected in the Federal Budget. The new tariff schedules are interpreted as evincing a determination to foster Empire trade.

Canada

From the Imperial Bank of Canada

Uncertainties over recent and impending tariff changes have retarded the revival in business. The seasonal increase in the movement of general merchandise, following the opening of navigation, has now spent itself, and business must now await the harvest. The crop outlook in the West is promising. There is an unusual supply of moisture in the soil, and while rains have retarded seeding and reduced the wheat acreage, there are larger sowings of coarse grains. The improvement in the live-stock industry should also lead to an increase in fodder crops. Both the live-stock markets and the dairying and lumber industries have benefited from the new Trade Agreement with the United States.

The business index of the Bureau of Statistics is still 5 per cent. better than a year ago. Recent movements have been mainly seasonal, but the continued improvement in employment

—now 50,000 above last year's level—is encouraging. The food, lumber, pulp and paper, and iron and steel industries are mainly responsible for that improvement, but there is also more activity in transportation, construction and services. Sales of new motor vehicles have also reached a new high record since data was first collected in 1932. Wheat movements are heavier, but the market price is below the price fixed by the Government. Stocks are 40 million bushels less than a year ago.

Money is easy, and bank lending and deposit rates have been reduced. The yield on Dominion bonds remains low, but the market in Provincial bonds is very unsettled, with practically no dealings in Alberta bonds. Public debts, the railway problem and tariff uncertainties are the main factors which have recently tended to check the upward trend of the trade recovery which lasted until early this year.

India

The monsoon broke in Bombay on June 22nd, and rain has now fallen in many parts of India.

Bombay.—American raw cotton markets have been firm, and increased consumption and drought in the Eastern belt are stimulating trade demand. This was reflected by bullish activity in the Bombay cotton market which continued until late June. The position of Indian cotton is sound, but demand is only fair. Japan has been buying moderately, and Indian mills are very cautious. The monsoon has arrived earlier than usual, and the Malabar and Konkau coasts have already received copious rains. Owing to the arrival of the monsoon the piece-goods trade has been quiet, with prices steady, and there has been little demand for Japanese and British goods. Local trade in fancies and bleached cloths has been good. The yarn market remained quiet during early June, but has since become more active, and a further improvement in the demand for Japanese yarns is expected.

Calcutta.—The loose jute market was quiet in early June, but reports of good rain in the growing districts stimulated business, and with crop estimates increasing in spite of the efforts of the Government of Bengal to curtail the output, prices have been steadily declining. At the middle of June prices showed signs of steadying. The baled jute section was influenced early in June by speculation in the futures market,

but has otherwise been quiet. There has been little activity in hessians. The shellac market opened quiet, but by the middle of June a fair business was passing. The first tea sale of the new season was held at the beginning of June. Offerings were mostly Darjeeling and Dooars, and good qualities sold well. Prices for hides and skins have declined in a dull market.

Rangoon.—The rice market was inactive during early June, but later in the month big millers sold to the market and these caused a slight expansion in business. The market is sensitive, as any demand would advance rates immediately as there is no rice on hand. Paddy rates continue firm. The European timber market was initially more active with firm prices, but enquiries have since fallen away. The Indian market continued dull. Round logs recovered after a weaker tendency. In the hardware market demand has improved, and with stocks low, there has been some profit-taking. Stocks are still sufficient for the moderate demand to be expected now that the monsoon has broken. Japanese prices of galvanised corrugated sheets were further reduced towards the end of June, and are now much below British prices.

Irish Free State

All crops have suffered from severe weather conditions during May, but the soil was favourable for sowing and the majority of the root crops were sown under good conditions. Pasture is bare except where sheltered or specially treated. Live-stock are in normal condition. The area under flax this season is reported to be considerably larger than last year. Stocks of potatoes are adequate to carry over till the new season's crop. Early sown potatoes are progressing well, but digging will probably be later than usual. The cattle fairs during May were well supplied and trade was good. Flocks of sheep were maintained in good health but rather backward condition owing to poor pastures. The markets were well supplied with sheep and lambs, and the number of pigs on offer showed an increase over April.

France

The new French Parliament assembled on June 1st, and the far-reaching legislation proposed by M. Blum's Government has caused considerable comment. The majority of the

labour troubles of the past three weeks have now been settled. Foreign trade returns for the first five months of the year compared with the same period of last year are summarised below.

	First 5 months 1935 Frs. mill.	First 5 months 1936 Frs. mill.	Change between 1935 and 1936 Frs. mill.
Imports—			
Foodstuffs	2,618	3,066	+448
Raw materials	4,751	5,537	+786
Manufactured articles ...	1,549	1,518	− 31
Total	8,918	10,121	+1,203
Exports—			
Foodstuffs	1,048	912	−136
Raw materials	1,837	1,729	−108
Manufactured articles ...	3,780	3,400	−380
Total	6,665	6,041	−624

The adverse visible balance is Frs.4,080 millions, as compared with Frs.2,253 millions last year. The change is due largely to the considerable increase in imports of raw materials.

The Stock Exchange has been influenced by the uncertainty of the Government's intentions, the effects of the new legislation concerning working conditions, and the disturbances caused by the strikes. The general trend of prices has been downward.

Bordeaux.—The strike movement is affecting practically all trades. All movements of vessels have been stopped since June 13th, but a general settlement is hoped for soon. Business in the wine trade has fallen off, but prices remain firm, and quotations for ordinary wines are on the upward grade. The resin market is very firm with rising prices. Stocks are low.

Le Havre.—Great strength is shown in cotton prices for all months. French mills are working at 80 per cent. of their normal activity, sales of U.S. cotton are being easily absorbed, and another short crop is expected. Stocks are again reduced, standing at 150,000 bales in mid-June against 170,000 bales a month ago. Prices for distant months are strong owing to speculative buying. The demand for coffee from the interior has been poor with the incidence of warm weather, and the strength of prices is due to speculation. Arrivals have been only partially absorbed and stocks awaiting clearance total

937,000 sacks in the middle of June against 876,000 sacks a month ago.

Lille.—Strikes in the textile mills have rendered business purely nominal. On the whole, the workers' conditions have been accepted, but in the middle of June certain centres were still on strike. In view of increased production costs the outlook for spinners is uncertain, and some mills may have to close. A deputation has urged the need for further protection for home and colonial markets, and for the need of an export premium. There has been little activity in the flax market, and prices have been nominal. New labour conditions and the consequent rise in production costs have aroused uncertainty concerning deliveries of yarn under contract, for unless prices are revised spinners stand to make heavy losses. The fact that large Government contracts have recently been placed inspire hopes that official action may be taken to relieve the situation. Since the settlement of the strikes, improved demand has been fostered by fears of higher prices, but orders are limited to the immediate and near delivery.

Roubaix.—Business has been completely disorganised by recent events. Trading in wool and tops is almost at a standstill, and the "futures" market shows extreme weakness following forced realisations. The uncertainty prohibits any new commitments. Following the stay-in strikes manufacturing activity has been stopped and the position is not yet normal. The combing section resumed work in the middle of June, but lack of raw material will necessitate short time. Some spinning mills are working at almost full output to clear orders before the expected rise in prices. New orders are not forthcoming and producers are not willing to quote until they know the new conditions. It will be some time before the necessary readjustments are made, and the general attitude is to await events.

Belgium

Brussels.—Political uncertainty and labour troubles have rendered markets indecisive again after their recent recovery following devaluation. Iron and steel tonnage for the second quarter shows a decrease compared with last year. Prices have become steadier, but there is no improvement in spite of better English quotations. Demand for domestic qualities of coal shows a seasonal falling off, but consignments to France continue

satisfactorily under the reduced quota. Industrial coal remains in good demand, especially qualities suitable for coke. It is expected that the strike in the coalfields will result in an acceleration of demand.

Antwerp.—Uncertainty as to the future of the gold *bloc* and labour troubles have influenced markets. The dockers struck unexpectedly on June 3rd, and the coal strike also had a detrimental effect. The wool market is very bad, and prices dropped by 10 per cent. in a few days. There has been little demand for hides and the result of the public sales is disappointing. The Stock Exchange is dull and serious losses have been incurred on some shares. Government bonds remain firm.

Germany

The economic situation remains favourable, and during May unemployment fell sharply from 1,763,000 to 1,491,000. The latter figure is better than the lowest figure of 1,706,000 for 1935, registered last August. Commodity prices are rising slowly, and are slightly higher than a year ago. The position in the middle of June was as follows:—

	Mid-June 1935	Mid-June 1936
Raw materials	90·7	93·2
Manufactured goods	119·2	120·6
Producers' goods	113·1	112·9
Consumers' goods	123·8	126·4
Wholesale prices, generally	101·2	104·0

The cost-of-living index remains very steady. Any tendency towards an excessive advance in prices is kept in check by Government regulations, but in cases where prices are unchanged there has been some deterioration in quality accompanied by occasional shortages of certain foods. Retail trade is 10 per cent. higher than a year ago, and 28 per cent. higher than in early 1933.

The rise in security prices was checked early in June, when it became apparent that it had gone too far. The report of the I. G. Farben Trust states that since 1934 the Company's production of artificial petrol has risen by 60 per cent.

Recovery continues to make progress, and the crop outlook is good. This should help trade both this year and next.

Holland

Recent bills before Parliament included one to reduce "fixed charges," rent, mortgages, etc., but it has been rejected by the Lower House partly on the ground that it was thought inadequate. Business circles believe that if lenders can feel assured that there will be no interference with contracts, mortgage interest and rents will fall without Government intervention. A bill has been introduced to reorganise the railways. These are at present in the hands of private companies, but the Government holds a majority of the shares in these companies and meets all deficits. It is proposed to form a new company with a reduced capital, and to give the bondholders 3 per cent. Government bonds in exchange for their present holdings. They would also receive a capital bonus. The bill would have the effect of reducing interest charges, while unprofitable lines would be closed.

The course of business remains unchanged. East Indian undertakings are faring better on the whole, and in Holland several companies are being reorganised, which suggests that the profit-making stage has been reached. Unemployment is stationary, but this is largely due to the increase of births after 1920, which is now flooding the juvenile labour market.

At the end of May and early in June, the Nederlandsche Bank lost Fl.85 millions of gold in two weeks. The Bank rate was twice raised and for a time stood at 4½ per cent. Conditions have since become easier and the gold outflow has been checked, while Bank rate has been reduced to 3½ per cent. In the annual report the President of the Bank maintains his position as a staunch supporter of the gold standard. He expects Holland to benefit from the tendency to inflate prices in other countries.

The port of Rotterdam has not benefited from the Antwerp strike, in spite of the fact that Rotterdam's port charges were reduced by 28 per cent. before the strike broke out, with the Government meeting the difference. Similar plans are pending for Amsterdam.

According to provisional calculations Holland received less from abroad in interest and dividends in 1935 than in 1934,

but had to pay less. Shipping earnings improved. Visible trade for this year is as follows:—

	First five months 1935	1936
	Fl. mill.	Fr. mill.
Imports	382	389
Exports	268	266
Import Surplus	114	123

The general lines of the country's economic policy are being continued. Efforts are being made to reduce production costs and the cost-of-living, and as the opposition is divided there is no threat to the stability of the Government.

Norway

The latest trade returns are summarised below:—

	May 1935	April 1936	May 1936	5 months 1935	5 months 1936
			Kr. millions		
Imports	75·3	68·3	78·4	317·2	355·3
Exports	46·7	43·8	48·7	234·9	264·0
Import Surplus ...	28·6	24·5	29·7	82·3	91·3

Unfortunately imports are likely to increase, as the numerous shipbuilding contracts recently placed abroad reach completion. Clearing and other trade agreements may also reduce Norway's exports. For example, a new Agreement with Spain provides generally that Norway's exports of merchandise for 1936 will be reduced to 75 per cent. of their 1935 value. Frozen balances due to Norway, amounting to Kr.7 to Kr.8 millions and equal to about six months' exports to Spain, are to be liquidated under the Agreement.

During May idle tonnage was reduced by 94,245 tons d.w., and idle vessels on June 1st amounted to 3·2 per cent. of Norway's foreign-going fleet, compared with 4·9 per cent. on May 1st. Recent industrial production indices (first half of 1933 = 100) are summarised below:—

	Total of Industries		Export Industries		Home Market Industries	
Year	March	April	March	April	March	April
1934 ...	107	101	108	91	107	106
1935 ...	107	109	108	101	107	113
1936 ...	118	115	114	103	120	121

The wholesale price index was unchanged at 132 (1913 = 100) on June 15th, and the cost-of-living index was unchanged at 155 (1914 = 100) on May 15th.

Sweden

In spite of international difficulties the timber market has shown a remarkable improvement in the past half-year. This is due to the measures for regulating the market agreed on last autumn, and prices are gradually rising. Even redwoods and whitewoods are now participating in the price increase. Demand has been heaviest from England, but shippers will soon be practically sold out of the items most in demand for the next few months. The wood pulp mills are now almost sold out of chemical pulp for the year. Sales for delivery in 1937 have been very active. A falling-off in sales is now anticipated in some quarters with livelier business returning in September. Prices are very firm. Mechanical pulp is in a less favourable position, but substantial deals have recently been concluded with England and France and about half of the 1937 output is now contracted for. The summer stagnation of the paper market has begun, but most paper mills are well supplied with orders for a long time ahead. The iron market continues stable. The slowing down of the building trade has not yet affected the production of iron, which is at a high record. The ship-building industry is very busy, but engineering is less active. Swedish iron prices have not yet followed the English rise, but are very firm. Iron-ore exports remain at a very high level.

Denmark

Although there have been no events of importance, statistical evidence demonstrates the continuance of recovery. Unemployment has fallen sharply to 49,611, compared with 53,008 a year ago, and the industrial production index for April stands at 127, as compared with 120 a year ago. Other statistics show that in 1935 there was a considerable increase over 1934 in the consumption of various retail goods. Petrol consumption for 1935 was computed at 118 (1930 = 100). The Stock Exchange has been inactive, but the undertone, especially

for industrials, is firm and most securities are quoted higher than a month ago. Butter has a firm tendency, due to a reduction in supplies from the British Empire to the United Kingdom, and to a good German demand, especially for warehousing. The price rose from Kr.183 to Kr.207, and has since reacted to Kr.197, but the undertone is strong. Total butter exports for the year to June 7th amount to 63,902 tons, compared with 60,795 tons last year. Egg exports are 29,539,000 scores against 26,855,000 scores in 1935, while bacon exports have declined from 87,954 tons last year to 80,763 tons. The recent Danish State loans placed in Sweden have resulted in a change in the foreign exchange situation. Assets have improved from Kr.27·4 to Kr.32·2 millions, and liabilities decreased from Kr.95·0 to Kr.59·2 millions, resulting in a total improvement of Kr.40·6 millions in Denmark's foreign exchange position. The foreign trade balance for May reflects the fact that importers have just received from the Foreign Exchange Control Office their import licences covering the second part of the year, for imports have risen in value since April from Kr.95·0 to Kr.133·8 millions. Exports totalled Kr.114·3 millions, so that the import surplus for May amounted to Kr.19·5 millions. For the period January–May imports total Kr.558·6 millions, and exports Kr.544·4 millions, compared with Kr.547·9 and Kr.500·8 millions for 1935. The import surplus is only Kr.14·2 millions against Kr.47·1 millions last year.

Switzerland

The Minister of Finance declared on June 16th that the Swiss Government, in complete harmony with the National Bank, was firmly decided to maintain the gold parity of the franc. Subsequently Federal Bonds have shown considerable firmness. On the other hand, the Société Suisse des Hôteliers adopted a resolution that the only way to attract tourists was by the alignment of the franc to sterling or the creation of a " tourist " franc, to be sold at a discount compared with the ordinary franc. Parliament has now approved the Government's scheme for raising a National Defence Loan of Frs.235 millions, of which it is understood Frs.176 millions are to be spent in the country on material and labour. No details are yet available as to the terms of the loan.

Spain

The tendency towards equilibrium in foreign trade, noted in the returns for March, was maintained in April when a further decline in imports to gold Ptas.60·25 millions was accompanied by an increase in exports to Ptas.60·40 millions. Thus a slightly favourable balance emerged for April as compared with a deficit of gold Ptas.15·13 millions in the same month last year. Imports for the first four months of this year totalled gold Ptas.267·21 millions and exports gold Ptas.220·64 millions, the deficit being gold Ptas.21·55 millions less than during the corresponding period of 1935. Activity in Continental heavy industries is helping Spain's exports of minerals, but an improvement is also noted in such characteristic products as fruit, oil and wine. The exchange problem has been examined by the Cortes, which has authorised the Government to impose a surcharge on the current Customs Tariff of certain articles, the revenue to be utilised for exchange intervention. It is estimated that this surcharge will realise Ptas.31½ millions during the remainder of the present fiscal year and Ptas.54 millions in a complete year. At the same time the Minister of Finance has been empowered to borrow gold Ptas.25 millions from the Bank of Spain for exchange intervention.

The Minister of Agriculture announces that this year's estimated wheat harvest will not exceed 33 million quintals, i.e., about 77 per cent. of the 1935 crop. Spain's annual needs for consumption and seed are 41½ million quintals, but the surplus from last year will make unnecessary any recourse to foreign purchases. The present problem is the harvesting of the crop in the face of labour difficulties.

The sugar beet crop is also poor, not only in yield per acre but also in percentage of sugar. As a consequence stocks at present carried by the industry will probably be absorbed and supply and demand will be temporarily balanced.

A Commercial Agreement with a complementary clearing arrangement has been signed with Norway. All payments, including freights, between the two countries will be liquidated through the clearing, and Spain's arrears of indebtedness can only be cleared by an increase in Norwegian purchases of Spanish produce. The Agreement provides for an expansion in exports of wine and fruit.

Morocco

From the Bank of British West Africa Limited

Abnormal and heavy May rains are reported to have considerably damaged the soft and hard wheat crops in the French zone of Morocco, particularly in the southern and Meknes districts; the crops of European farmers suffering more than native. Barley is a good crop, and the prospects for coriander, canary-seed and cumin-seed are reported upon favourably, but fenugreek less favourably. Local produce prices show a tendency to rise.

The following are the shipments of cereals to France under the " Quota " for the season 1935–36 up to May 10th, 1936 :—

Soft wheat ...	...	132,700 tons.
Old wheat ...	...	13,000 „
Oats ...	...	5,500 „
Barley ...	...	101,000 „
Maize ...	...	52,300 „

Business during the past month has continued to be affected by recent events in both France and Spain, but a little better tone is reported, and a better retail demand is anticipated for imported goods as the money paid for the new crops comes into circulation. Japanese goods continue to dominate many markets.

The final census figures for the French zone show a total population of 6·3 millions, of whom 236,000 are Europeans or non-natives. The strength of the military forces is given as 53,000. Exports of early vegetables have now practically ceased after an active season. Vegetable fibre exporters are combining to regulate shipments and control prices. Eggs are in demand from Spain and France.

The United States

Business remains good, and in most directions gains over a year ago are recorded. Car-loadings up to early June are returned at 13,804,000 against 12,821,000 in 1935. Steel operations are also well ahead of 1935, but a recession is expected as the summer progresses. There has been a moderate decrease in automobile production, but this is purely seasonal. Retail trade is making good progress, and should expand further now that the " Veterans Bonus " bonds have

been distributed. Business in Wall Street was quiet during the month up to early June, but prices were well maintained.

The sugar market is unsettled by uncertainties regarding future legislation. Cuban production for this year is estimated at 2,565,000 tons, or 50,000 tons in excess of the decreed crop. The surplus, however, can only be exported this year or next in the form of molasses or syrup. Business in copper was inactive, and prices were weak. Production and consumption of lead appear well balanced, but trade in zinc is falling away.

Production of pig-iron increased during May. There was little forward business, as no news of any impending price changes for the third quarter of the year had been forthcoming. Steel prices are to be raised as from July 1st, and this announcement brought in fresh business. Production was maintained, therefore, at 68 per cent. of capacity, but it remains to be seen what happens after these anticipatory orders have been completed and the price increases have taken effect.

Trading in cotton futures is affected by weather reports. Early in June there was too much moisture in the West and too little in the East. The Government is making good progress in clearing its loan cotton. Trade in piece-goods has improved, and sales are now running ahead of current production.

South America

Argentina.—Heavy rains fell during May over the greater part of the cereal zone, but at the end of the month more rain was needed in the South of Buenos Aires province. The rain has benefited newly-sown grain and pasture but has been detrimental to the recently gathered maize crop. Prospects for next season's crops and pastures are much brighter than a year ago, for during May, 1935, the drought seriously interfered with ploughing. May this year was unseasonably warm and attracted clouds of locusts into the Chaco territory. Entries of good quality cattle were only moderate, and were hardly sufficient to meet the demands of the packing companies and local butchers. Retail sales were normal during May, but business in imported cotton textiles was poor, as winter sales were retarded by the unusually warm weather. Imports from Japan declined lately, but stocks of goods already arrived are heavy. Trade in woollen goods was also restricted by the warm weather.

Brazil.—The milreis exchange strengthened during May from Rs.88$800 to Rs.87$200 per pound sterling for sight drafts on London. Among the causes of this improvement were the recent substantial rise in coffee prices, and a greater readiness of holders of cotton export bills to sell " at best." The Bank of Brazil was also operating in the foreign exchange market in competition with other banks. According to a recent private American estimate, it should be possible for Brazil to export 1,300,000 bales of cotton this year, against last year's shipments of only 640,000 bales. The Minister of Agriculture has announced that considerable assistance is being given to planters in the Northern States of Brazil. May coffee shipments were rather disappointing, but this was partly due to heavy disposals of the current crop by the Central American producing countries, and once these are out of the way prospects for Brazilian shipments should improve. Prices are definitely higher, and shipments for the eleven months ending last May were 15,058,000 bags against 13,496,000 bags in the corresponding period of 1934–35. The National Coffee Department has begun to purchase the surplus stocks left over from the last crop. In spite of this improvement over-production of coffee remains a serious problem, and at the end of the current crop year there will probably be a carry-over of several million bags.

Chile.—Foreign exchange rates have recently moved against Chile, and in the middle of May the Exchange Control Commission suspended the granting of permits for the importation of all luxury articles. Welcome rains fell during May, and it is now stated that there is no shortage of wheat but that farmers are not willing to sell at current prices. Nevertheless food prices have risen, and during May a decree was issued prohibiting the exportation of all foodstuffs, except those for which licences had already been issued.

Uruguay.—By a resolution of the State Bank, on and after June 1st all export operations covering shipments of cereals, cereal by-products, and products, the exchange relative to which may be disposed of in the free market, must be authorised by the Exchange Control Department. Agriculture has been hindered by the heavy rains which fell during May, and it is feared that there would be a reduction in the acreage under wheat. Camps are thoroughly watered and pasture lands well

grassed for the time of year. Animals have lost condition owing to the inclement weather. In the interior demand for breeding and store cattle was keen, but the Montevideo cattle market was dull.

*** Further information regarding trade conditions in South America will be found in the *Monthly Review*, published by the Bank of London & South America, Limited.

Japan

The import surplus for the first five months of the year is Yen 288 millions, or an increase of 54 per cent. over the same period of last year. This is due mainly to a drop in raw silk and flour exports, and increases in cotton and wool imports.

Conditions in the money market have eased somewhat following the suspension of sales of Government bonds. Funds are fairly plentiful, and at the end of the month there was an air of quietness which has not been observed for the past four months. On the stock market leading securities experienced an upward movement at the middle of May, but subsequent tariff developments in Australia and the United States caused a slight set-back. At the end of May, owing to a falling off in imports, an upward turn developed, with the armament industries in the centre of the movement. The commodity markets have been dull and weak. Cotton yarn and rayon prices fell suddenly. The underlying tone in early June was steady. The yen is strong, in sympathy with the higher dollar sterling rate. At the end of May the Yokohama Specie Bank's official rates were $29\frac{1}{8}$ and 1s. 2d.

Statistics

BANK OF ENGLAND

Issue Department

	Note Circulation.	Govt. Debt.	Other Govt. Securities.	Other Securities.	Silver Coin.	Fiduciary Issue.	Gold.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
„ „ 1932	360·5	11·0	240·9	19·3	3·8	260·0	120·8
„ „ 1933	367·1	11·0	249·9	10·5	3·6	275·0	171·8
„ „ 1934	378·8	11·0	245·4	0·1	3·5	275·0	191·1
„ „ 1935	381·4	11·0	246·7	0·2	2·1	260·0	192·5
„ „ 1936	406·5	11·0	246·5	1·5	1·0	260·0	200·6
June 17, 1936	432·0	11·0	248·2	0·6	0·8	260·0	211·9
June 24, 1936	434·8	11·0	248·1	1·0	0·8	260·0	216·3

Banking Department

	Public Deposits.	Bankers' Deposits.	Other Deposits.	Govt. Securities.	Discounts and Advances.	Other Securities.	Reserve.	Proportion.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
„ „ 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
„ „ 1933	21·2	92·8	35·0	57·7	11·8	17·2	80·6	54·0
„ „ 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
„ „ 1935	20·1	96·6	41·2	87·6	5·6	11·4	71·7	45·3
„ „ 1936	18·0	83·6	37·0	80·3	5·0	16·7	54·9	39·6
June 17, 1936	13·9	91·0	37·4	98·3	4·8	16·3	40·8	28·6
June 24, 1936	20·0	90·8	37·4	99·6	7·6	16·5	42·5	28·6

LONDON CLEARING BANKS (Monthly averages)

	Deposits.	Acceptances, Guarantees, etc.	Cash.	Balances and Cheques.	Call Money.	Bills.	Investments.	Advances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
„ 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
„ 193	1,925·2	95·8	207·0	40·1	108·7	348·1	510·2	766·2
„ 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
„ 1935	1,923·3	117·7	214·0	43·6	133·4	207·0	614·4	766·8
„ 1936*	2,108·3	105·2	216·7	53·8	162·4	252·0	635·1	849·2
April, 1936*	2,153·6	104·4	227·4	57·6	160·7	268·3	636·9	864·3
May, 1936*	2,185·3	102·9	220·1	53·1	159·3	309·2	639·5	865·4

* Includes the District Bank.

LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing.	Metropolitan Clearing.	Country Clearing.	Total.
	£ mn.	£ mn.	£ mn.	£ mn.
1930	38,782	1,812	2,964	43,558
1931	31,816	1,668	2,752	36,236
1932	27,834	1,610	2,668	32,112
1933	27,715	1,657	2,766	32,138
1934	30,740	1,760	2,984	35,484
1935	32,444	1,887	3,229	37,560
1935 to June	15,941	915	1,546	18,402
1936 to June	15,936	974	1,680	18,590
1935, June (4 weeks) ...	2,585	140	243	2,968
1936, June (4 weeks) ...	2,492	145	255	2,892

BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1929.	Mar., 1932.	Mar., 1933.	Mar., 1934.	Mar., 1935.	Mar., 1936.	Apr., 1936.	May, 1936.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham	11·9	9·0	9·7	11·3	9·6	10·7	9·6	11·0
Bradford	5·9	3·4	3·3	4·2	3·8	4·7	4·4	4·0
Bristol	5·3	4·9	5·0	5·4	4·9	5·5	5·0	5·7
Hull	4·0	3·0	3·2	3·2	3·2	3·4	3·5	3·6
Leeds	4·4	3·8	3·8	4·4	4·3	3·9	3·6	3·9
Leicester	3·6	3·1	3·1	3·3	2·8	3·1	3·0	3·2
Liverpool	34·2	25·6	25·6	26·8	25·8	27·5	24·1	25·0
Manchester	58·0	42·5	42·1	46·1	42·8	44·9	40·8	43·4
Newcastle-on-Tyne...	6·5	5·7	6·5	6·9	5·5	5·7	5·1	5·8
Nottingham	2·8	1·9	1·9	2·0	2·0	2·1	2·0	2·1
Sheffield	4·6	3·3	3·5	3·6	3·4	4·3	3·9	4·1
	141·2	106·2	107·7	117·2	108·1	115·8	105·0	111·8

LONDON AND NEW YORK MONEY RATES

		London.					New York.		
		Bank Rate.	Treasury Bills. Tender Rate.	Treasury Bills. Market Rate.	3 Months' Bank Bills.	Short Loans.	F.R.B. Re-discount Rate.	Call Money.	Accept-ances.
		Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March	1931	3	2 19/32	2 1/16–2 1/8	2 3/16–2 1/4	2–2½	2	1½	1½
,, ,,	1932	3½	2 3/32	1 7/8	2¼–2⅜	2–3	3	2½	2¼
,, ,,	1933	2	15/32	7/16–½	⅜	½–1	3½	3	2½
,, ,,	1934	2	5/32	7/32	15/32	½–1	1½	1	⅜
,, ,,	1935	2	½	½–17/32	7/16–½	½–1	1½	1	3/16
,, ,,	1936	2	7/16	½	7/16–3/8	½–1	1½	¾	3/16
May 20th,	1936	2	3/16	½	½–3/16	½–1	1½	1	3/16
June 24th,	1936	2	5/32	½	¾–13/16	½–1	1½	1	3/16

FOREIGN EXCHANGES

London on	Mint Parity	1934. June 27.	1935. June 26.	1936. June 3.	1936. June 10.	1936. June 17.	1936. June 24.
New York—							
(*a*) Spot ...	$4·866	5·04¼	4·93⅞	5·02⅛	5·01⅛	5·02⅛	5·02⅛
(*b*) 3 months	—	1/16c. dis.	1¼c. pm.	1 1/16c. p.m.	1¼c. pm.	1 1/16c. pm.	1 1/16c. pm.
Montreal ...	$4·866	4·98¼	4·94¼	5·03⅛	5·02⅛	5·03⅛	5·03¼
Paris—							
(*a*) Spot ...	Fr.124·21	76 11/32	74¼	76¼	76 3/16	76 1/16	76 1/16
(*b*) 3 months	—	7c. dis.	Fr.2 dis.	Fr.5¼ dis.	Fr.6¼ dis.	Fr.6 1/16 dis.	Fr.3¼ dis.
Berlin—							
(*a*) Official ...	Mk. 20·43	12·80¼	12·22¼	12·47	12·45¼	12·49	12·49
(*b*) Registered Marks	—	30½% dis.	47% dis.	46¼% dis.	47 1/16% dis.	47 1/16% dis.	47 1/16% dis.
Amsterdam ...	Fl. 12·11	7·42⅜	7·24	7·43½	7·42½	7·44	7·42½
Brussels ...	Bel. 48·611	21·57½	29·22	29·71	29·68½	29·74½	29·74
Milan	Li. 92·46	58 11/32	59⅛	63 11/32	63 11/32	64	63 11/32
Zurich ...	Fr. 25·22½	15·50½	15·06	15·55	15·50⅜	15·55	15·43
Stockholm ...	Kr. 18·16	19·40	19·39½	19·39½	19·39⅜	19·39½	19·39½
Madrid ...	Ptas. 25·22½	36⅛	35 1/16	36 1/16	36⅛	36 1/16	36⅛
Vienna... ...	Sch. 34·58½	27*	26⅛	26¼	26⅛	26⅛	26⅛
Prague... ...	Kr. 197·10	121 1/16	117⅛	121½	121 1/16	121⅛	121 1/16
Buenos Aires—							
(*a*) Export ...	Pes. to £1	15	15	15	15	15	15
(*b*) Import ...	Pes. to £1	17·42	17·00	17·02	17·02	17·02	17·05
(*c*) Free ...	Pes. to £1	20·70	18·69	18·02	18·05	18·08	18·18
Rio de Janeiro—							
(*a*) Official ...	—d.	4	4⅛	4⅛	4⅛	4⅛	4⅛
(*b*) Free ...	—d.	3⅛	2 11/32	2⅛	2⅛	2⅛	2 11/32
Valparaiso ...	Pes. 40	49·45†	118‖*	136‖*	130‖*	130‖*	130‖*
Bombay ...	18d.	18 1/16d.	18⅛d.	18⅛d.	18⅛d.	18⅛d.	18⅛d.
Hong Kong ...	—d.	17⅞d.	27⅛d.	15 7/16d.	15⅛d.	15⅛d.	15⅛d.
Kobe	24·57d.	1/2⅛	1/2⅛	1/2 3/32	1/2 1/16	1/2 1/16	1/2 1/16
Shanghai ...	—d.	16⅛d.	19 3/32d.	14⅛d.	14⅛d.	14⅛d.	14⅛d.
Gold price ...	per oz.	138s. 1½d.	141s. 2d.	138s. 10d.	138s. 8½d.	138s. 3d.	138s. 7½d.
Silver price ...	per oz.	20 7/16d.	31d.	19 15/16d.	19⅞d.	19¾d.	19 15/16d.

* Nominal. † Official Rate. ‖ Revalued on January 1st, 1935; export rate.

PUBLIC REVENUE AND EXPENDITURE

	1932–33.	1933–34.	1934–35.	1935–36.	1935–36 to June 22.	1936–37 to June 20.
REVENUE—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Income Tax	251·5	228·9	228·9	238·1	12·1	10·2
Sur-Tax	60·7	52·6	51·2	51·0	3·9	4·0
Estate Duties	77·1	85·3	81·3	87·9	21·8	17·6
Stamps	19·2	22·7	24·1	25·8	2·9	2·9
Customs	167·2	179·2	185·1	196·6	43·6	44·8
Excise	120·9	107·0	104·6	106·7	25·5	24·2
Motor Vehicles Duties (Exchequer Share)	5·0	5·2	5·1	5·0	0·7	0·9
Other Tax Revenue	3·1	2·6	3·1	2·1	0·1	0·1
Total Tax Revenue	704·7	683·5	683·4	713·2	110·6	104·7
Post Office	10·9	13·1	12·2	11·7	4·4	4·3
Crown Lands	1·2	1·2	1·3	1·4	0·2	0·2
Receipts from Sundry Loans	5·1	4·7	4·4	4·9	0·2	0·4
Miscellaneous Receipts ...	22·9	22·1	15·1	21·7	4·4	1·7
Total Non-Tax Revenue ...	40·1	41·1	33·0	39·7	9·2	6·6
Total Ordinary Revenue ...	744·8	724·6	716·4	752·9	119·8	111·3
Post Office	59·3	59·3	61·8	66·1	12·3	13·2
Road Fund	22·9	25·5	26·4	25·8	3·6	3·7
Total Self-balancing Revenue ...	82·2	84·8	88·2	91·9	15·9	16·9
EXPENDITURE—						
National Debt Interest ...	262·3	212·9	211·6	211·5	72·5	71·7
Payments to N. Ireland ...	7·0	6·6	6·8	7·2	0·9	1·0
Other Cons. Fund Services ...	3·3	4·1	3·6	5·7	0·4	0·6
Post Office Fund	—	—	2·3	1·1	—	—
Supply Services	458·3	458·8	472·2	512·0	97·3	103·8
Total Ordinary Expenditure ...	730·9	682·4	696·5	737·5	171·1	177·1
Sinking Fund	17·2	7·7	12·3	12·5	—	—
Payments to U.S. Govt. ...	29·0	3·3	—	—	—	—
Self-balancing Expenditure (As per contra)	82·2	84·8	88·2	91·9	15·9	16·9

PRODUCTION

	Coal.	Pig-Iron.	Steel.
	Tons mill.	Tons thous.	Tons thous.
Total 1913	287·4	10,260	7,664
„ 1925	243·2	6,262	7,385
„ 1929	257·9	7,589	9,636
„ 1930	243·9	6,192	7,326
„ 1931	219·5	3,773	5,203
„ 1932	208·7	3,574	5,261
„ 1933	207·1	4,136	7,024
„ 1934	221·0	5,969	8,850
„ 1935	222·9	6,426	9,842
Total to May, 1935	95·0	2,644	4,031
Total to May, 1936	97·8	3,105	4,785

BOARD OF TRADE PRODUCTION INDEX NUMBER (1930 = 100)

	Complete Year.		1935.				1936
	1934.	1935.	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.	1st Qr.
Mines and Quarries	90·8	91·7	95·4	87·3	85·8	98·2	100·5
Iron and Steel	115·7	125·6	121·9	123·2	124·1	133·3	146·2
Non-Ferrous Metals	122·7	137·3	142·2	138·4	136·6	132·1	134·8
Engineering and Shipbuilding	94·0	104·9	105·7	103·6	102·3	108·1	116·0
Building Materials and Building	133·4	147·0	135·9	148·5	153·5	150·2	149·9
Textiles	113·3	118·9	118·9	116·7	113·3	126·5	126·7
Chemicals, Oils, etc.	104·6	111·8	109·3	108·6	108·8	120·3	116·2
Leather and Boots and Shoes	104·5	116·0	116·8	115·2	109·7	122·1	126·7
Food, Drink and Tobacco ...	102·3	107·6	98·2	108·6	109·2	113·9	105·9
Total*	106·1	113·5	113·0	111·6	110·8	120·8	123·1

* Includes paper and printing, gas and electricity, rubber, cement and tiles.

UNEMPLOYMENT

(a) Percentage of Insured Workers

Date.	1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.
End of—								
January	12·3	12·4	21·5	22·4	23·1	18·6	17·6	16·3
February	12·1	12·9	21·7	22·0	22·8	18·1	17·5	15·4
March	10·0	13·7	21·5	20·8	21·9	17·2	16·4	14·4
April	9·8	14·2	20·9	21·4	21·3	16·6	15·6	13·8
May	9·7	15·0	20·8	22·1	20·4	16·2	15·5	13·0
June	9·6	15·4	21·2	22·2	19·4	16·4	15·4	
July	9·7	16·7	22·0	22·8	19·5	16·7	15·3	
August	9·9	17·1	22·0	23·0	19·1	16·5	14·9	
September	10·0	17·6	22·6	22·8	18·4	16·1	15·0	
October	10·3	18·7	21·9	21·9	18·1	16·3	14·6	
November	10·9	19·1	21·4	22·2	17·9	16·3	14·6	
December	11·0	20·2	20·9	21·7	17·5	16·0	14·2	

(b) Actual Numbers Unemployed (in thousands)

	Mar., 1932.	Mar., 1933.	Mar., 1934.	Mar., 1935.	May, 1935.	Mar., 1936.	April, 1936.	May, 1936.
Number of Insured Persons unemployed—								
Wholly unemployed	2,129	2,205	1,814	1,727	1,614	1,551	1,468	1,382
Temporarily stopped	427	511	317	324	320	240	252	230
Normally in casual employment ...	104	105	94	92	90	88	88	85
Total	2,660	2,821	2,225	2,143	2,024	1,879	1,808	1,697

RAILWAY TRAFFIC RECEIPTS

	Four weeks ended				Aggregate for 25 weeks			
	June 23, 1935.		June 21, 1936.		1935.		1936.	
	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	0·9	1·1	0·9	1·1	4·5	7·0	4·5	7·2
London & North Eastern*	1·4	2·0	1·4	2·1	7·0	13·4	7·0	14·0
London Midland & Scottish	2·1	2·6	2·2	2·7	10·7	17·1	10·8	18·0
Southern	1·3	0·3	1·4	0·3	6·7	2·3	6·8	2·3
Total	5·7	6·0	5·9	6·2	28·9	39·8	29·1	41·5

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

	May, 1933.	May, 1934.	May, 1935.	April, 1936.	May, 1936.
By CATEGORIES: Great Britain	%	%	%	%	%
Total	− 0·2	+ 7·7	+ 2·2	+ 5·0	+ 7·2
Food and Perishables	− 2·9	+ 6·9	+ 6·3	+ 9·7	+ 5·5
Other Merchandise of which					
Piece-goods*	+ 8·5	− 3·2	− 5·4	− 6·8	− 1·3
(i) Household Goods ...	+10·4	− 1·3	+ 0·7	− 2·6	+ 0·5
(ii) Dress Materials	+ 8·8	− 3·9	− 7·6	− 8·8	− 2·5
Women's Wear*	+ 1·5	+ 7·8	− 4·6	− 1·0	+ 9·9
(i) Fashion Departments ...	+ 2·7	+ 7·4	− 2·7	− 0·5	+12·0
(ii) Girls' and Children's Wear	− 0·5	+ 7·1	− 0·8	+ 3·3	+11·2
(iii) Fancy Drapery	+ 0·5	+ 7·4	− 6·7	− 2·5	+ 8·0
Men's and Boys' Wear ...	+ 1·7	+13·6	− 6·2	− 2·0	+ 9·4
Boots and Shoes	− 3·2	+16·9	− 6·4	− 0·8	+17·6
Furnishing Departments ...	+12·2	+ 5·6	+ 3·5	− 0·4	+ 9·9
Hardware	+18·8	+ 7·9	+ 4·7	+ 6·3	+11·7
Fancy Goods	+ 9·5	+ 5·3	+ 7·0	+ 5·1	+ 6·3
Sports and Travel	+ 7·1	+ 7·5	− 0·7	− 1·7	− 0·2
Miscellaneous and Unallocated	− 6·6	+ 6·7	+ 9·1	+ 7·6	+ 0·1
By AREAS—					
All Categories—					
Scotland	− 2·8	+ 7·3	+ 4·5	+ 7·4	+ 3·5
Wales and North of England	− 2·2	+ 7·0	+ 1·8	+ 5·3	+ 8·0
South of England	− 0·9	+ 9·0	+ 2·6	+ 6·3	+ 8·9
London, Central & West End	+ 7·7	+ 3·3	+ 2·0	− 0·6	+ 1·0
London, Suburban	− 0·7	+12·6	+ 1·5	+ 5·8	+10·2

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

Date.	Imports.				Exports.			
	Food.	Raw Materials.	Manufactured Goods.	Total.	Food.	Raw Materials.	Manufactured Goods.	Total.
Monthly Average—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1925	47·5	35·4	26·6	110·1	4·6	7·0	51·4	64·4
1929	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930	39·6	20·9	25·6	87·0	4·0	5·3	36·7	47·6
1931	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933	28·3	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
1935	29·7	17·7	15·4	63·1	2·6	4·4	27·4	35·5
May, 1935	30·1	18·4	15·7	64·5	2·5	4·7	27·1	35·2
May, 1936	31·6	19·9	17·2	69·2	2·7	4·5	28·2	36·4

SOME LEADING IMPORTS

Date.	Wheat.	Iron Ore and Scrap.	Raw Cotton.	Raw Wool.	Hides, Wet and Dry.	Wood Pulp.	Rubber.	Iron and Steel Manufactures.
Monthly Average—	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. centals of 100 lbs.)	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. tons)
1925	8,071	373	1,578	606	155	103	163	227
1929	9,314	480	1,283	678	98	137	330	235
1930	8,731	363	1,011	652	108	128	326	243
1931	9,952	185	989	707	106	122	237	237
1932	8,803	159	1,048	765	105	153	176	133
1933	9,366	234	1,169	793	120	162	189	81
1934	8,552	392	1,052	657	116	187	395	114
1935	8,435	415	1,057	720	141	185	325	96
May, 1935	10,517	463	870	1,189	126	193	391	86
May, 1936	8,912	632	1,092	1,071	155	190	119	117

SOME LEADING EXPORTS

	Coal.	Iron and Steel.	Machinery.	Cotton Yarns.	Cotton Piece-Goods.	Woollen Tissues.	Worsted Tissues.	Motor Cars.
Monthly Average—	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number)
1925	4,235	311	43	11·3	370	11,015	3,492	1,481
1929	5,022	365	47	11·8	306	9,016	3,490	1,991
1930	4,573	263	40	11·1	201	6,587	2,893	1,602
1931	3,563	165	27	11·4	143	4,694	2,479	1,429
1932	3,242	157	25	13·9	183	4,461	2,358	2,246
1933	3,256	160	23	15·8	169	5,110	2,741	2,821
1934	3,305	188	28	10·9	166	5,745	2,772	2,904
1935	3,226	198	32	11·8	162	5,941	3,218	3,683
May, 1935	3,668	207	34	11·7	158	4,198	2,570	3,559
May, 1936	3,162	204	33	12·4	146	5,297	2,782	4,796

PRICES

1. WHOLESALE PRICES

Date.	Index Number (Sept. 16th, 1931 = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
Average 1913	115·8	101·1	111·1	112·0	91·9
1925	177·9	152·3	154·1	148·9	130·2
1929	150·9	139·4	141·3	146·0	126·1
1931	107·7	103·5	105·5	103·5	101·9
1932	103·5	89·3	92·0	93·1	88·7
1933	103·5	93·7	87·7	86·6	85·7
1934	106·4	111·1	83·1	84·2	90·4
1935	108·1	120·3	78·4	—	93·5
End May, 1935 ...	107·7	119·3	79·8	94·2	92·7
„ June, 1935 ...	106·5	118·3	77·7	96·5	92·9
„ May, 1936 ...	111·8	117·7	85·2	—	95·4
„ June, 1936 ...	113·1	119·8	85·2*	—	95·5

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.
* June 20th.

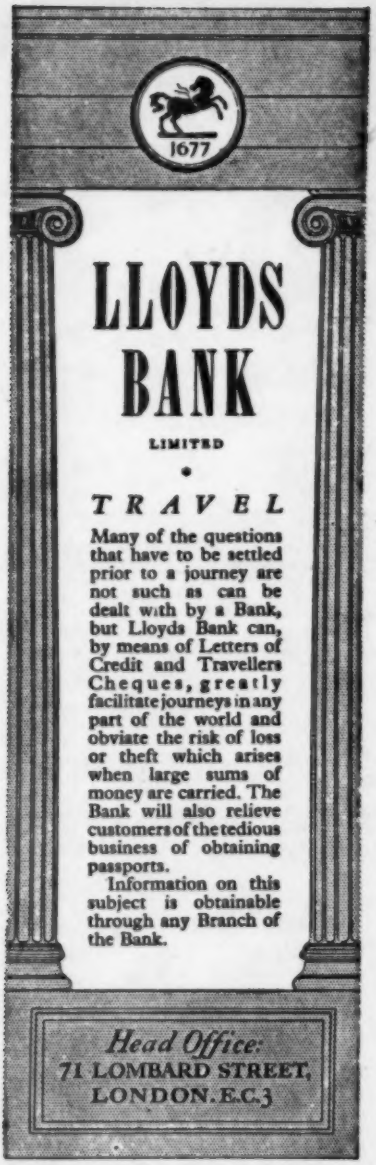
2. RETAIL PRICES (cost of living)

Date.	Food.	Rent (including Rates).	Clothing.	Fuel and Light.	Other Items included.	All Items included.
End of 1925 ...	71	48	125	80–85	80	75
1929 ...	57	52	115	75	80	66
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70–75	70–75	42
1933 ...	24	56	85	70–75	70–75	42
1934 ...	25	56	85–90	70–75	70–75	44
End May, 1935...	20	58	85–90	70	70	40
„ April, 1936...	25	59	90	75	70	44
„ May, 1936...	26	59	90	70–75	70	44

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat No. 1 N. Manitoba.	Sugar Centrifugals U.K.	Cotton American Middling.	Wool 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. £	per lb. d.
Average 1913 ...	36 10	—	7·01	29 1/16	58 1½	—	36½
1925 ...	66 4½	12 9	12·65	54 11/16	72 9½	261 9/16	34 9/16
1929 ...	54 0½	9 0½	10·29	38⅞	70 4½	203 13/16	10½
1931 ...	28 2½	6 4½	5·08	23 1/16	58 7	118⅛	3½
1932 ...	30 6½	5 9½	5·29	22 1/16	58 6	136 3/16	2 1/16
1933 ...	28 2	5 4	5·53	28 5/16	62 3	194 11/16	3½
1934 ...	30 11	4 8½	5·66	30 11/16	66 10½	230	6 1/16
1935 ...	34 3½	4 8	6·69	28	67 10	225 11/16	5 11/16
May, 1935 ...	34 3	5 0½	6·86	27 1/16	67 6	226½	5 13/16
April, 1936 ...	33 3½	4 10	6·53	32½	70 0	209 15/16	7½
May, 1936 ...	32 0	4 8½	6·53	32 11/16	70 0	202 13/16	7 1/16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